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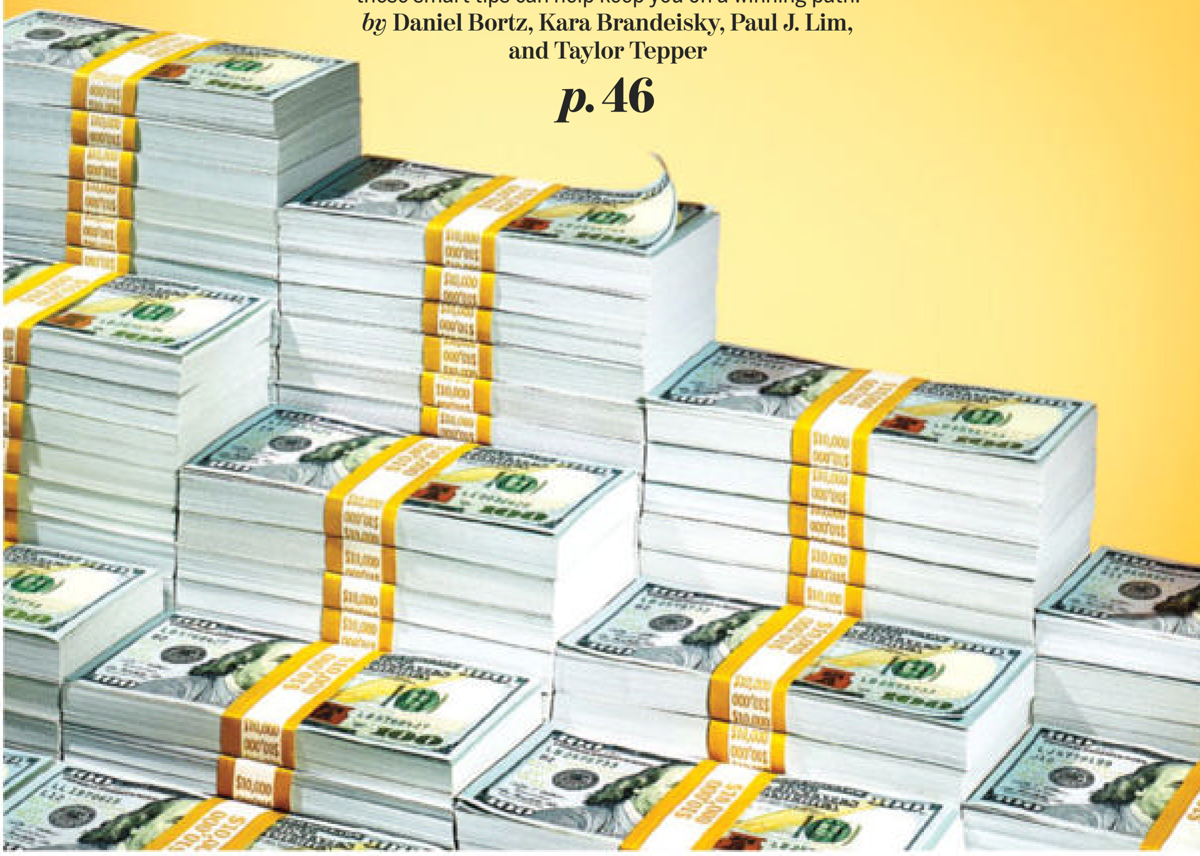

101 WAYS TO BUILD WEALTH

Whether you are just starting out or are closing in on financial security, these smart tips can help keep you on a winning path. *by* Daniel Bortz, Kara Brandeisky, Paul J. Lim, and Taylor Tepper

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Money FEATURES

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PROP STYLING BY DOMINIQUE BAYNES

Photograph by DAN SAELINGER

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"What I really had to do was just budget and determine what was a need vs. a want."

—Sean Starling, class of '13, **The New Grad's Guide to Money**

PHOTOGRAPH BY DUSTIN AKSLAND; STYLING AND GROOMING BY BRANDON BRANSFORD

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MONEY TIPS FROM THE REAL WORLD

No amount of cajoling by their elders will persuade some new grads to reform their money habits. But tales told by their peers? That's a different story. Recent grads share the best—and worst—money moves they made in the transition to financial adulthood. ***money.com/newgrads***

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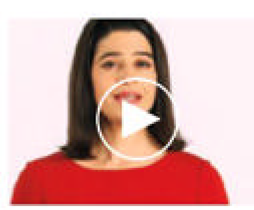
Definitive guides to retirement, investing, debt, and more at ***money.com/money101***

THE DON'T-GO-BROKE WEDDING GUIDE Love is in the air ... which means big bills may soon follow. Here's how couples—and their guests—can keep costs in check this wedding season. ***money.com/weddings***

WORKPLACE DO'S AND DON'TS

Should you friend your boss on Facebook? How do you handle a chronic complainer? MONEY careers expert Donna Rosato tells all. ***money.com/careers***



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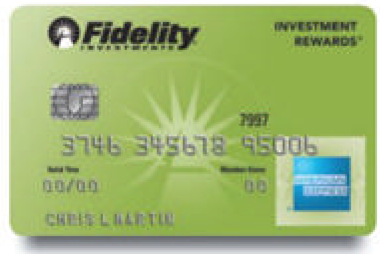

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Write the Editor: editor@moneymail.com

EDITOR'S NOTE

Congrats, New Grad. *Now What?*

TO THE CLASS OF '15: FOLLOW OUR ADVICE, AND YOU CAN GIVE UP RAMEN FOR GOOD.

AS YOU WOULD EXPECT, having a mother like me, my kids heard a lot of talk about money over the years—at the dinner table, in the car, at the supermarket and the mall. Whenever a teachable moment came up, I'd seize it, demonstrating concepts like wants vs. needs ("Yes, honey, the sweater was on sale, but I have plenty") and the importance of saving in a 401(k) plan ("Want to know the easiest way to become a millionaire when you're older?").

Yet when my older child, Rachel, graduated from college three years ago, she still struggled to manage her money. Entering a tough job market as a low-paid perma-lancer—she's in media, sigh—my daughter didn't earn enough to get her own place, so she moved back home. (She's getting an apartment this summer.) Budgeting has been challenging—commuting costs alone eat up a sixth of her pay, and dinners out with friends add up quickly. As for doing her taxes, well, even the step-by-step "easy" forms are intimidating for a newbie. And when you have a parent in my line of work, it's easier simply to say, "Mom, help!"

The class of 2015 faces a much better job market but will probably find the rest of it just as challenging as Rachel and her pals have. For those newly minted BAs, and the moms and dads who will be helping them, we offer "The New Grad's Guide to Money" on page 68. It's the kind of cheat sheet on young-adult finances that Rach tells me she wishes she'd had to guide her when she first got out of school.

Figuring out the right moves to build wealth at each stage of your life is the subject of this month's cover story—you'll find 101 of them, starting on page 46. Under the stewardship of assistant managing editors Paul Lim and Pat Regnier, this package is filled with smart strategies, some of which were fresh even to me (check out Nos. 15, 47, 59, and 60, for example). Given how long I've been at this personal finance thing, I'm always tickled and gratified when I learn something new in the pages of MONEY. I may not be ready to drink my portfolio yet (see No. 53), but I'm delighted to know it's an option.

I hope you'll find the issue informative and enriching too.

Diane Harris

DIANE HARRIS
EDITOR

twitter.com/dianeharris

PHOTOGRAPH BY SCOTT M. LACEY

FIRST

of kids ask Mom first about money

When it comes to financial guidance, kids lean in to Mom a lot more than they head to Dad (the go-to choice of 39% of kids), a survey by T. Rowe Price found. No matter who's talking, no one shapes kids' financial attitudes more than their parents. It's not just what you say—children learn by example every time you open your wallet. Here's how to make the most of those teachable moments.

BEST APPROACH

YOUNG KIDS (0 TO 15) Talk about what you're buying, why some items are a good value, and why others aren't in the budget, says Neale Godfrey, author of *Money Doesn't Grow on Trees*. Explain where the money comes from when you use a credit card. This is the prime time for sharing your values on spending.

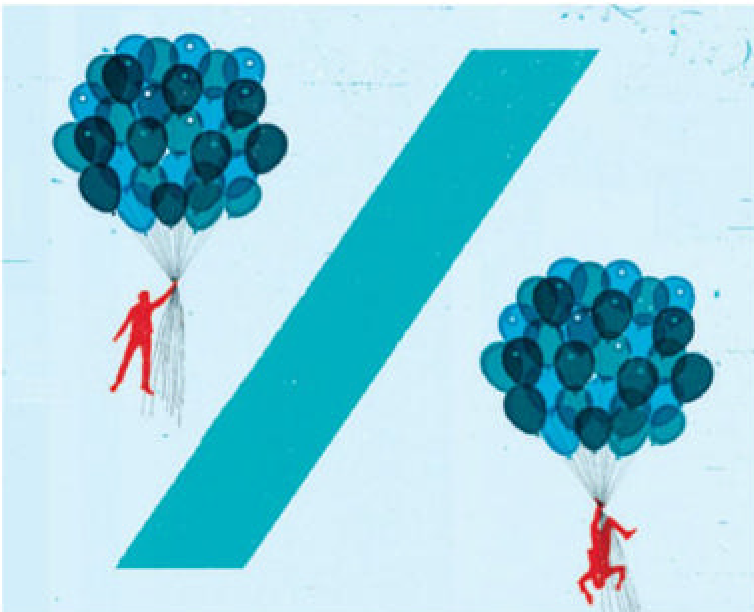
OLDER KIDS (16 TO 22) Let them pay for expenses like gas or clothes. If those cost $300 over three months, give them a lump sum so they can learn to make it last, says Mary Hunt, author of *Raising Financially Confident Kids*.

ADULT KIDS (23 AND UP) Keep the conversation going so that they'll keep coming to you for advice. Ask them if they have a 401(k) or a Roth IRA. Have they budgeted around their after-tax pay? (Many twentysomethings don't think like that yet.) And stay nonjudgmental. No raised eyebrows over beer money. —KATE ASHFORD

PROP STYLING BY ERIN SWIFT

Photograph by JOYCE LEE

Hate paying taxes? Find out which states have the lowest burden at **money.us/statetaxburden.**



THE ECONOMY

What Rising Rates Mean for Your Wallet

IN MARCH, Federal Reserve chair Janet Yellen omitted one simple word—"patient"—from her latest Open Market Committee statement on the economy, and the predictions began. The smart money is now on the central bank raising short-term interest rates as early as this summer.

Savers, however, will have to remain patient. "It'll be a long, tough slog until we see substantively better returns," says Bankrate.com chief analyst Greg McBride. While one-year CDs now average 0.27%, he predicts yields will end the year at 0.5%. Even the highest-yielding savings accounts likely won't keep up with the 2% target inflation rate the Fed set.

The Fed doesn't directly control mortgage rates; they're usually pegged to 10-year Treasury bills. Intermediate-term Treasury yields do typically rise in response to the central bank's short-term rates. But global demand for Treasuries should keep loan rates from rising too fast. The National Association of Realtors is forecasting 4.7% on a 30-year fixed by the end of the year, up from 3.7% now. Owners who haven't refinanced should do so quickly. And folks with adjustable-rate mortgages who plan to stay put for a while would be smart to flee to a fixed rate. —SUSIE POPPICK AND IAN SALISBURY

COLLEGE

WHERE TO GET A DEGREE THAT WILL REALLY PAY OFF

By far, the nation's Ivy League and elite techie colleges produce the highest-earning graduates, according to recent data from PayScale.com. The salary information site assessed return on investment for 851 schools by taking the total average earnings for grads over 20 years, minus the cost of attendance. The top 10 are below. —KIM CLARK

	COLLEGE	20-YEAR ROI
1	Harvey Mudd College	$985,300
2	California Institute of Technology	$901,400
3	Stevens Institute of Technology	$841,000
4	Colorado School of Mines (in-state students)	$831,000
5	Babson College	$812,800
6	Stanford University	$809,700
7	Massachusetts Institute of Technology	$798,500
8	Georgia Institute of Technology	$796,300
9	Princeton University	$795,700
10	Colorado School of Mines (out-of-state)	$771,000

QUOTED

"The surgeries are less expensive to the insurer than if you were to get cancer."

Lisa Schlager, VP at Facing Our Risk of Cancer Empowered, *on why most insurers cover preventive surgeries for people (such as Angelina Jolie) with genetic cancer predispositions*

Illustration by RICHARD MIA

Grownup Hostels

Don't let the name fool you. Today's upscale hostels are far more boutique than backpack. Most have private rooms—and bathrooms—along with shabby-chic design, cool bars, and pools. They invest in lively public spaces, such as communal-breakfast areas and laid-back courtyards. If you're comfortable at a nice B&B, you'll be fine in these social lodgings. And you'll sleep better knowing that they cost less than a standard hotel nearby. These four are as much as 29% cheaper than local hotels. —KRISTEN BELLSTROM

FREEHAND HOTEL / MIAMI

The Freehand steps up the usual social hostel vibe with its trendy bar, pool, and patio lounge area. Double rooms have cable TV, iPod docks, and all the usual boutique hotel amenities. Like many hostels, the Freehand has a communal kitchen where guests can make meals or snacks—a great way to keep down vacation costs. Part of a growing chain, there's also a Freehand in Chicago and another coming soon to Los Angeles. Doubles with a private bath start at $150.

THE CRASH PAD / CHATTANOOGA

This eco-friendly hostel attracts outdoorsy types. The staff has arranged discounted partnerships with numerous local climbing, biking, running, skydiving, and kayaking outfits—as well as a handful of yoga studios. The rooms feature handcrafted wooden beds and bathroom sinks set in stone. The DIY breakfast, which gives you full run of the well-stocked kitchen, is also included, as is free Wi-Fi. Private doubles start at $75.

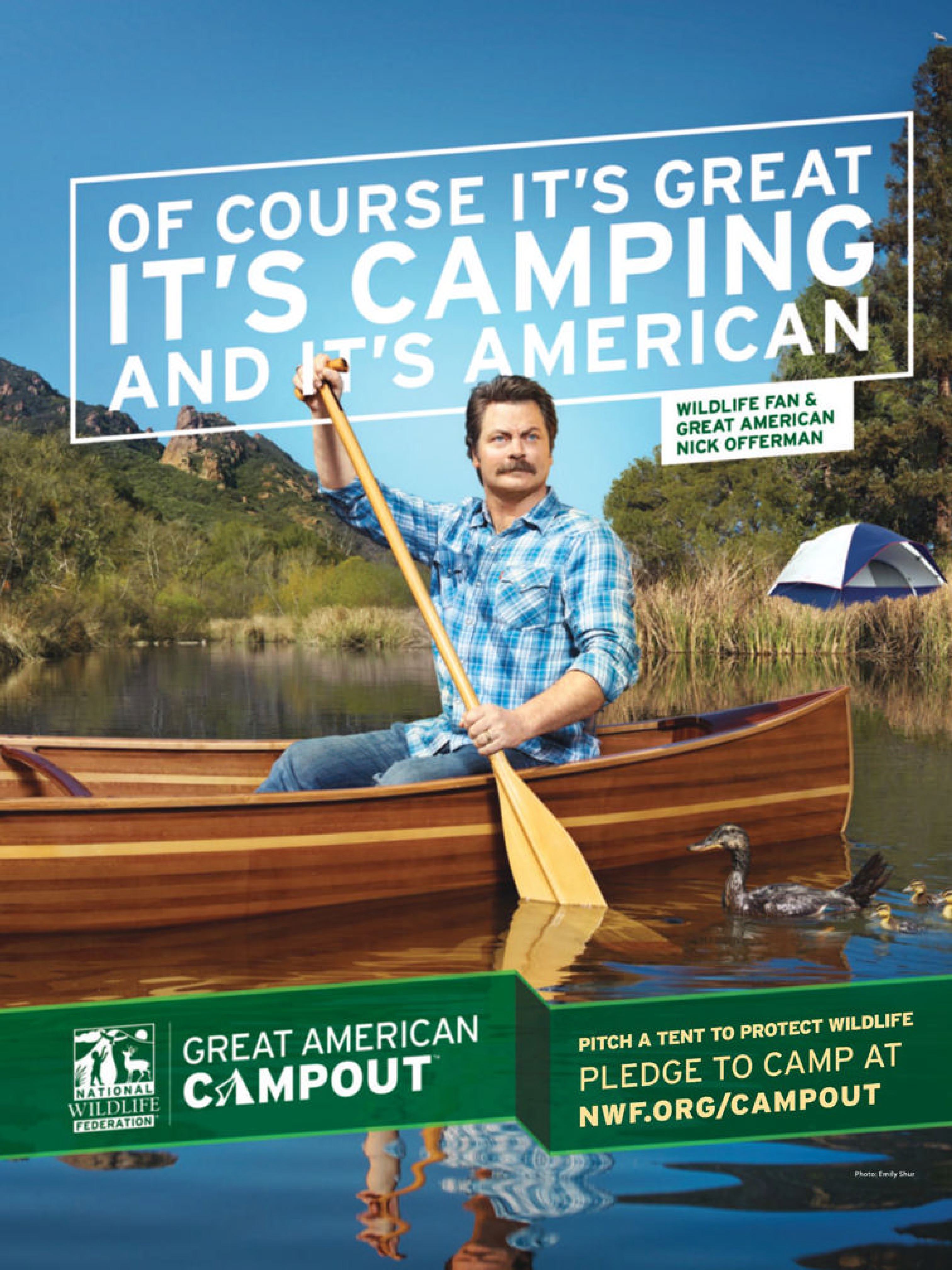
THE BIVVI / BRECKENRIDGE, COLO.

The Bivvi caters to adventure travelers (the name is actually short for "bivouac") and can connect guests with local mountain biking, climbing, and of course skiing outfits. Afterward, relax in the 10-person outdoor hot tub. The Bivvi is a 10-minute walk from town and right on the free bus route. Note: The hostel opens for the winter ski season in November. Private doubles start at $159.

THE WAYFARER / SANTA BARBARA

Located within walking distance of shopping on State Street and right on the Urban Wine Trail, this property opened in August and is celebrating by offering travelers 15% off their first stay. Breakfast is included (as it is at most hostels), and there is a heated outdoor swimming pool. Private doubles: $159.

CLOCKWISE FROM TOP: COURTESY OF THE FREEHAND/ADRIAN GAUT; COURTESY OF THE BIVVI; COURTESY OF THE CRASH PAD/MANDY RHODEN; COURTESY OF THE WAYFARER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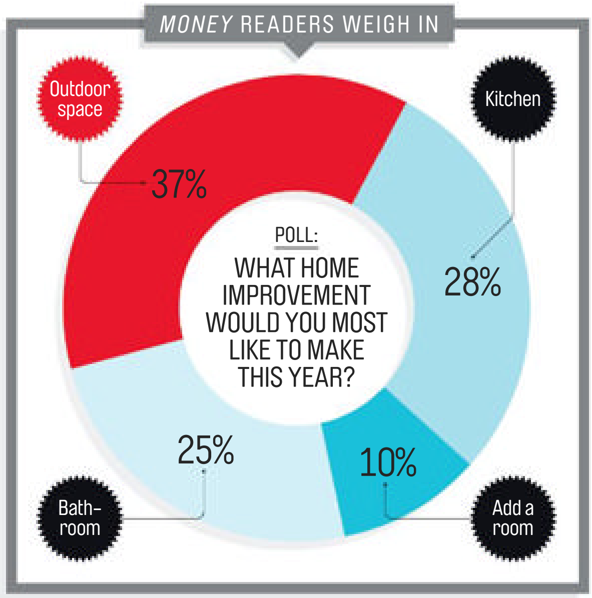
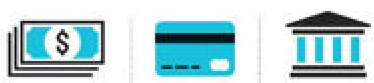
Next month's question: ***What's the next big-ticket purchase you plan to make?*** *To cast your vote, go to* ***Money.com.***

Are You Ready to Remodel?

MONEY READERS WEIGH IN



HOW DID YOU PAY FOR YOUR RENOVATION?



80% Cash/savings
22% Credit card
15% Bank loan

TOP THREE CHALLENGES: ❶ FINDING ACCEPTABLE PRODUCTS ❷ SELECTING STYLE ❸ AGREEING WITH SPOUSE

TOTAL AMOUNT SPENT IN U.S. ON DIY RENOVATIONS AND REPAIRS (2013)

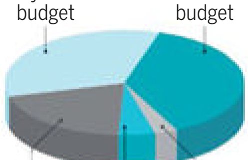
$34,000,000,000

DOWN FROM $49 BILLION IN 2007

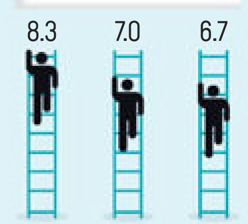
COST OF A MINOR KITCHEN REMODEL, BY CITY

New York City: **$24,881**
Chicago: **$23,029**
Seattle: **$21,122**
Denver: **$19,050**
Houston: **$17,951**

BOTTOM LINE: WHEN ALL THE BILLS WERE PAID



MONTHS FROM INITIAL RESEARCH TO START OF CONSTRUCTION



The **MOST POPULAR** projects planned for the next two years are bathroom and kitchen remodels and flooring updates.

UPGRADES WITH THE BEST PAYOFF

Front door	102%
Stone veneers	92%
Garage door	88%
Wood deck	81%

PERCENTAGE OF OWNERS REMODELING WITH NO PLANS TO SELL IN THE NEAR FUTURE

53%

22% CAN'T AFFORD TO MOVE

TOP REASON FOR CHOOSING A CONTRACTOR: 83% prioritized recommendations, while **60%** wanted a compatible personality, and **7%** went with the least expensive option.

NOTES: Online poll conducted in March; 465 responses; best payoff for midrange projects. SOURCES: "Transforming the American Home," Houzz.com; Joint Center for Housing Studies of Harvard University; Remodeling 2015 Cost vs. Value Report, National Association of Realtors


MY MOM DIDN'T HAVE MANY OPTIONS.
TODAY'S LUNG CANCER PATIENTS DO.
Twenty years ago, my mother was diagnosed with lung cancer. She had very few places to turn, and lost a difficult struggle.
Today, we are on the brink of real breakthroughs in lung cancer research and there are significantly improved treatment options.
And yet, more than 30% of all lung cancer patients still don't know about the therapies, specialists, and clinical trials available to them.
Lung cancer is a formidable foe, but we are finding new ways to fight it. Please visit SU2C.org/LungCancer for questions to ask your health care professional and to learn about options that may be right for you.
Tony Goldwyn
Stand Up To Cancer Ambassador
Photo Credit: Kevin Lynch
Bristol-Myers Squibb
STAND UP TO CANCER
SU2C.org/LungCancer
Stand Up To Cancer is a program of the Entertainment Industry Foundation (EIF), a 501(c)(3) charitable organization.

Upgrade Your TV's IQ

Why drop $400 or more on a "smart" TV? These affordable devices will stream content to the set you already own. —DOUG AAMOTH

BEST IF YOU USE ITUNES $69

Apple TV

HOW IT WORKS: For easy TV access to your videos, music, and other iTunes content, you can't beat this set-top box and remote. Plus, families can pool content, using Apple TV to share up to six iTunes libraries. The system allows you to mirror your Apple device's screen on the TV—great for viewing photos. Like all the devices in this story, Apple TV also lets you access third-party services such as Hulu and Netflix (some require a subscription).

BEST FOR AMAZON PRIME MEMBERS $39

Amazon Fire TV Stick

HOW IT WORKS: The Fire TV Stick, which plugs into your TV's HDMI port, promises to stream content instantly, without buffering. Use the device and remote to mainline your free Amazon shows, as well as video from the other big providers (no HBO Go yet; Amazon says it's coming this spring). The Fire TV Stick is compatible with 300-plus videogames, though you'll need a $40 controller for some.

BEST FOR MEDIA FIENDS $50

Roku Streaming Stick

HOW IT WORKS: This plug-in device and accompanying remote work with all the usual channels, but the real appeal of the Streaming Stick is its wide range of niche selections. Users can access more than 1,800 channels, with categories from sports to news to kids' programming. Roku also gets points for an outstanding remote, complete with "quick launch" buttons that take you straight to Amazon or Netflix.

BEST NO-FRILLS OPTION $35

Google Chromecast

HOW IT WORKS: The Chromecast has no remote; instead, you use apps on your smartphone or tablet to sling video to your TV. The device supports content providers, such as YouTube, HBO Go, and Netflix. To watch, pull up the app and tap the Chromecast icon to transfer the video to your set. Your phone controls volume and playback, and, using the Chrome browser, you can cast websites from your computer to the TV.

Photograph by SCOTT M. LACEY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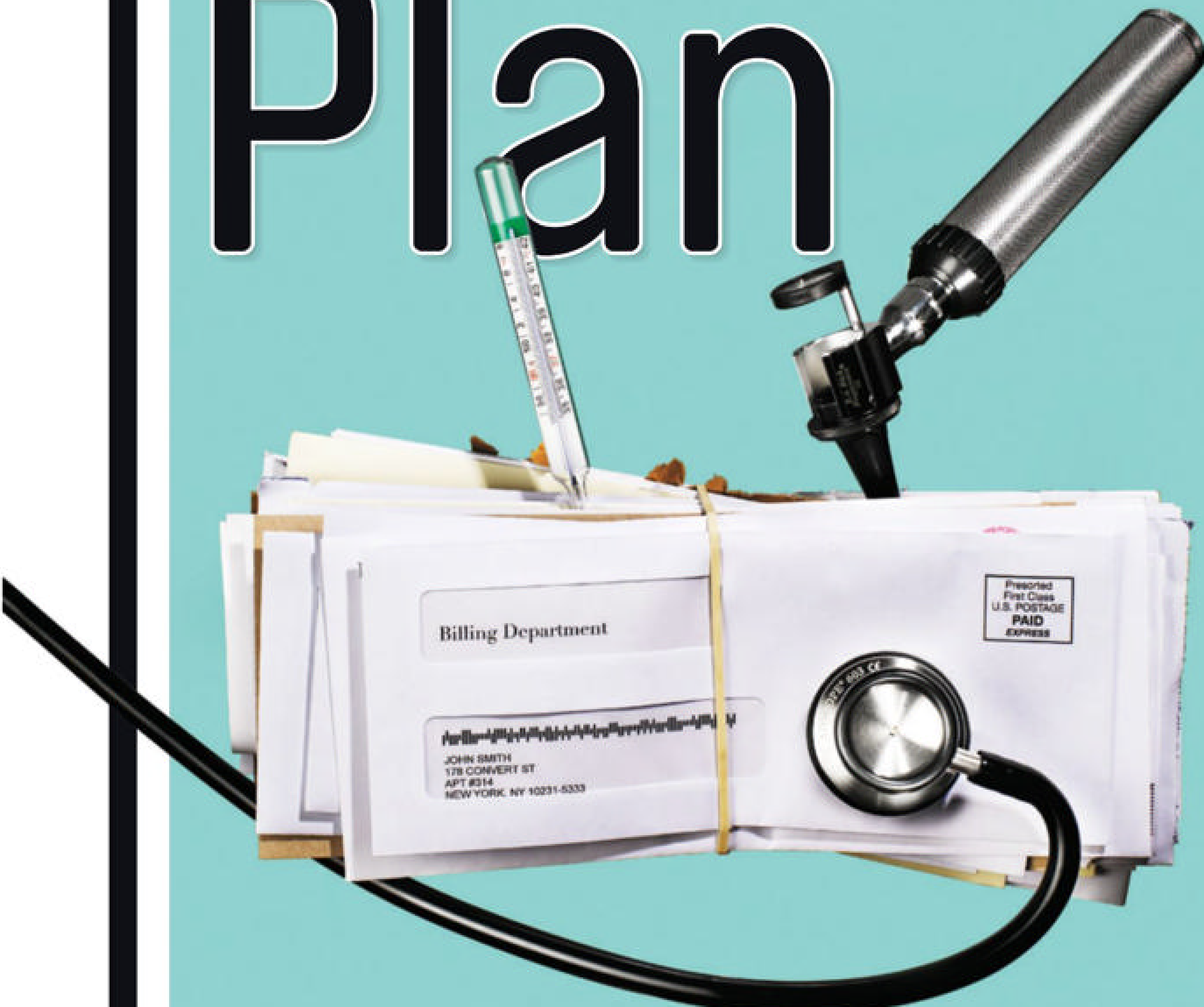
Plan



Give Your Bills a Checkup

MEDICAL BILLING ERRORS ARE MORE COMMON—AND MORE COSTLY—THAN YOU MIGHT THINK. *by* **Katherine Hobson**

ODDS ARE there's a mistake in the medical bill that's in your mailbox. A recent NerdWallet analysis of 2013 hospital audits by Medicare found that an average 49% of bills contained errors, and that some medical centers messed up on more than 80% of claims to Medicare.

Such errors now matter more than ever to consumers: Greater health insurance cost sharing means that a mistake can take serious money out of your pocket. "If you're responsible for the first $5,000 or $10,000 of your care, you're going to want to be more atten-

PROP STYLING BY MEGUMI EMOTO

Photograph by CLAIRE BENOIST

tive," says Stephen Parente, a professor at the University of Minnesota's Carlson School of Management who studies health finance.

But billing errors can be tough to spot, and tougher to remedy. Disputes can go on for months, and if you don't take the right steps, your account could be put into collections in the meantime—a recent report by the Consumer Financial Protection Bureau found that a whopping 52% of all debt on credit reports is due to medical bills. Follow these steps to ensure a clean bill of health:

UNDERSTAND YOUR BILL

Step one is knowing exactly what you're being charged for. Can't tell from the bill? Ask the provider for an itemized statement, says Pat Palmer, CEO of Medical Billing Advocates of America, a professional organization that assists individuals and companies with medical costs and disputes. Doctors use standardized numerical "CPT" codes to categorize treatments, and you can Google the numbers to find out what they stand for.

QUESTION DISCREPANCIES

If the price strikes you as high for the services rendered, "follow your gut and investigate," says Mark Rukavina, principal at Community Health Advisors, a hospital consultancy. Your insurer may offer an online price transparency tool. If not, try Guroo.com, a website that shows the average cost by area for 70 non-emergency diagnoses and procedures. A big discrepancy suggests that you should start asking questions.

Next, compare the bill to the explanation of benefits you get from your insurer. If these differ on the amount you owe, that can be another red flag, says Erin Singleton, chief of mission delivery at the nonprofit Patient Advocate Foundation.

DIAGNOSE ERRORS

Even if you don't have sticker shock, give your invoice a close read. Some common mistakes can be easy to spot. They include services that weren't performed, tests that were canceled, and duplicate charges, says Kevin Flynn, president of HealthCare Advocates.

Palmer says one of the more frequent errors she sees is providers charging patients separately for things that are supposed to be under one umbrella, such as a tonsillectomy and adenoid removal. Ask your provider about this if you are billed item by item for something that might be one procedure.

REMEDY THE PROBLEM

When you spot an error, ask the billing department to start a formal dispute. Put your concerns in writing. Include any documentation you have and request that the provider support its claim as well, says Palmer. Also, notify your insurer, which can be a good ally if the company will be on the hook for part of the charge.

Typically you don't have to pay disputed charges until the investigation is complete, but do pay the rest of the bill. And always respond promptly to billing communications so that charges aren't sent to collections. That's a very real risk (see graphic). Fortunately, relief is on the way—the three major credit agencies recently agreed to institute within the next few years a 180-day grace period before adding medical debt to credit reports (now there is no official grace period) and to remove debt from a report if the insurer pays the bill.

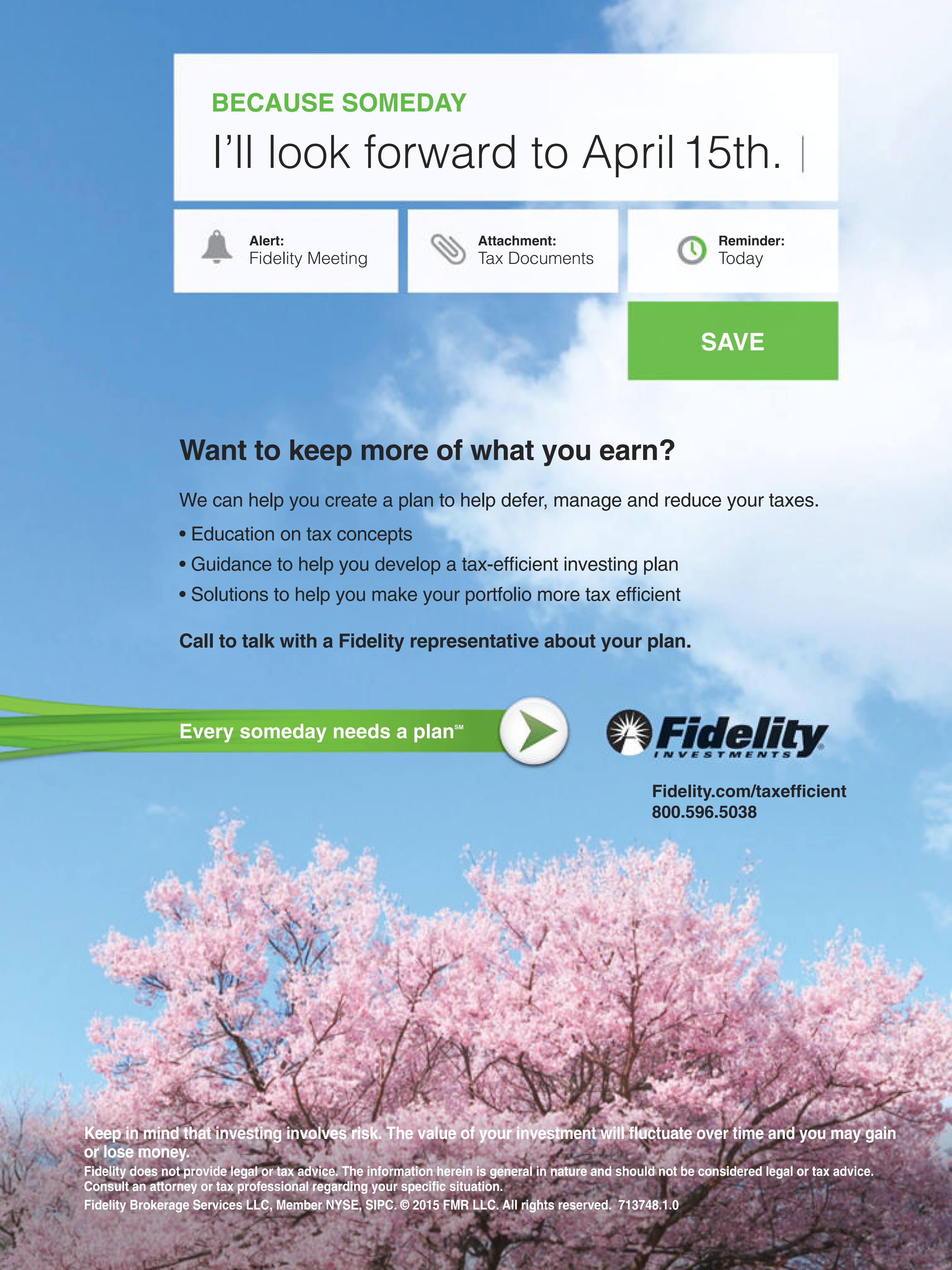
Rukavina says that, with persistence, you should be able to resolve most disputes on your own. But if you've been fighting to no avail for more than a month or so, consider hiring a medical billing advocate to work on your behalf. Find one via billadvocates.com or claims.org. You'll likely pay an hourly rate starting at around $50 or a fee of about 30% of what you'll save. But that could be pocket change compared with what you'd owe otherwise, not to mention what a ding to your credit score could cost you. ■

Don't Let Doc Bills Ding Your Credit

One in five credit reports is marred by medical debt. Avoid this fate by getting disputes resolved quickly.

TYPE OF DEBT	% REPORTS WITH THESE COLLECTIONS	AVERAGE AMOUNT IN COLLECTIONS
Medical	19%	$579
Cable/telecom	9%	$417
Utilities/energy	8%	$436
Retail	7%	$1,082
Banking	3%	$2,620
Financial	2%	$1,785

SOURCE: *Consumer Financial Protection Bureau*


BECAUSE SOMEDAY
I'll look forward to April 15th.
Alert:
Fidelity Meeting
Attachment:
Tax Documents
Reminder:
Today
SAVE
Want to keep more of what you earn?
We can help you create a plan to help defer, manage and reduce your taxes.
• Education on tax concepts
• Guidance to help you develop a tax-efficient investing plan
• Solutions to help you make your portfolio more tax efficient
Call to talk with a Fidelity representative about your plan.
Every someday needs a plan℠
Fidelity INVESTMENTS
Fidelity.com/taxefficient
800.596.5038
Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.
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Untying the Family Purse Strings

WANT TO GET YOUR TIGHTWAD SPOUSE TO LOOSEN UP A LITTLE? TRY THESE FOUR TACTICS.

by Farnoosh Torabi

LAUREN GREUTMAN'S couponing began as a practical way to trim her family's household budget, but the Oswego, N.Y., mom's mission to save quickly escalated to the point where she wouldn't buy anything that wasn't at a deep discount. "I went overboard," she now admits.

Her husband, Mark, concurs—and says he frequently felt frustrated by her frugality. "There were many eye-roll moments," he recalls not too fondly.

Perhaps you can empathize? When one spouse is more anxious than the other about spending, marital discord over money is pretty common. In fact, one study found that "tightwads" tend to marry "spendthrifts"—and those couples are 23% more likely to fight about money. "Everyday spending decisions can gnaw at them," says study co-author Scott Rick, a professor of marketing at the University of Michigan. If your partner is economical to a fault, use these tips to pry open the wallet.

FIND OUT WHAT FUELS THE FIRE

Rather than passing judgment (again) on your spouse's stinginess, discover what's driving it. Break the ice with, "Honey, I've noticed that you are very conscious about our spending. Tell me what concerns you." Is it a fear of going broke? Patterns learned as a kid? A countermeasure to your overspending? "The reason doesn't necessarily justify the behavior, but if you can understand the fear or goal, you may be able to find a more agreeable way to address it," says Brad Klontz, a psychologist in Lihue, Hawaii.

LOOK AT THE BIGGER PICTURE

While you may never see eye to eye on spending, you're likely to value similar financial goals, like retiring at 65 or going on vacation. From this common ground, analyze your finances to gain perspective on what's rational (or not) when it comes to purchasing. "You can see where you have room for improvement or relaxation," says Ed Coambs, a marriage counselor in Charlotte. Seeing where you stand may convince your spouse that spending $10 on lunch or $10,000 on a reno isn't apocalyptic—or may convince you that it *is.*

REQUEST FREE REIN DAY TO DAY

Keep yourself from feeling hamstrung by your partner's rules by asking him or her to allow you a splurge limit—say, $200 a month or 5% of each paycheck. That way you have limited license to spend as you wish, no questions asked.

PUT A PRICE ON PENNY PINCHING

At the same time, help your frugal spouse do a cost-benefit analysis of his or her deal hunting. You might show how driving around to gas stations to save 3¢ a gallon actually wastes money. Or help your partner assess the hourly wage of cost cutting, as Lauren now does with couponing. "If I spend two hours a week and save $50," she says, "then I feel it was worth my time." ■

Contributing editor Farnoosh Torabi is the author of When She Makes More. *Catch her columns and videos at Money.com.*

Illustration by CHRIS GASH

Q

COLLEGE

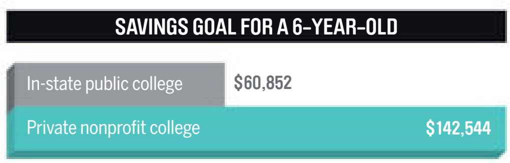
Our kids are 4 and 6. What should our college savings goal be? —RYAN PHELAN

A Footing the full freight is unrealistic for most folks, especially since parents should also be saving for retirement.

Mark Kantrowitz, senior vice president at Edvisors Network, offers a more reasonable goal: Aim to save at least a third of expected college costs in a 529 college savings account. Another third can come from income (plus grants and scholarships) when tuition needs to be paid. If need be, you can borrow the remainder, though you'd be wise to stick to federal loans.

For an actual savings target, Kantrowitz says to use the average four-year cost of college—public or private, depending on your preference for your kid—the year the child was born, since costs typically triple over any 17-year period. Use the 529 planner at Savingforcollege.com to translate the big number into monthly savings.

While it would be great to save enough to cover your child's total costs for four years, putting aside a third of expected tuition is a more reasonable goal, says Mark Kantrowitz.



NOTE: Based on tuition, fees, room, board in 2009. SOURCES: College Board, Mark Kantrowitz

Q

CHILD SUPPORT

Can I collect unpaid child support from my ex's Social Security? —CAROL

A That depends on the kind of benefit your ex receives. If it's Supplemental Security Income (SSI), you are out of luck. SSI is a welfare benefit vs. an earned benefit that people pay into, so the government does not allow this income to be garnished for child support, says **Vicki Turetsky, commissioner for the Office of Child Support Enforcement.**

But if your ex collects any other type of benefit—like retirement, disability, or survivor—you can request that your local Social Security office garnish his monthly check to get you the money you're owed. (Up to 65% can be withheld.) You will need an income withholding order issued by a judge. Assuming your kids are minors, you can apply for child support services from your state (typical fee: $25) to walk you through the legal process.

Q

RENOVATING

I got bids from three contractors. Do I hire the cheapest?

A No. Unless you've given contractors exact specs—drawings, materials, and products—the bids are based on assumptions about what you'll pick as the project unfolds, says **Cambridge, Mass., realtor Bruce Irving.** So they likely don't reflect what you'll ultimately pay.

A good bid arrives on time, thoroughly outlines the job, and includes details about the options priced ("eight under-cabinet LED fixtures" vs. "undercabinet lights").

But all of that should play only a supporting role in your decision of whom to hire. "It's just as important to visit a current project, see how the job site is kept, and meet the crew," Irving says. "And it's vital you talk to the contractor's three most recent customers to ask if they'd use him again—and how close the final price came to the bid." ■

By Kerri Anne Renzulli and Josh Garskof

*Read more answers from Ask the Expert and submit your own personal finance questions at **money.com/expert**.*

Make Your Boss Your BFF

GET THE PERSON IN THE CORNER OFFICE INTO YOUR CORNER, THEN WATCH YOUR CAREER TAKE OFF. YOU'LL NEVER COMPLAIN ABOUT NEPOTISM AGAIN! ***by Daniel Bortz***

BUDDYING UP WITH the boss can pay off, literally. In a study of executives done at Georgetown University, nine in 10 acknowledged that favoritism occurs in larger organizations, and 23% of them said they had personally practiced favoritism in making promotion decisions. Read: Getting more familiar with the person who signs off on your raises can help you make sure they're bigger. Follow these tips to cozy up without crossing the line.

BREAK THE ICE

Start by trying to engage the boss in small talk when riding the elevator or meeting at the water cooler. And if you know he is going to happy hour, be there. "Take advantage of any opportunity to rub shoulders outside work," says career consultant Donald Asher, author of *Who Gets Promoted, Who Doesn't, and Why.*

To find common ground, Asher suggests posing open-ended questions like "How about them Spurs?" Use the person's response to gauge his level of interest. Does he talk at length about the season? Depending on your relative positions, you might ask the boss to lunch to discuss your ideas on a particular project—and who will make the playoffs.

KEEP UP ON FACEBOOK

"Friending" the boss on Facebook can help you cement the relationship, says Nancy Rothbard, a Wharton School professor who studies social media in the workplace. But first make sure your boss is willing to connect with subordinates—you're good if other direct reports are in her circle.

Once you're in, occasionally "like" and comment on posts about shared interests. "It authentically reinforces your offline interactions," Rothbard says. Just save communication for off-work hours so you don't look as though you're slacking off.

LEVERAGE YOUR FRIENDSHIP

When the relationship is established, your boss may be naturally more inclined to advance your causes. But be strategic in your asks. "You don't want your boss to think you're a user," says Asher. Chatting about weekend plans? You might slip in a mention of your desire to attend a senior staff meeting. "If you have a good relationship, your boss will go out of his way to get you in," says Richard Klimoski, a management and psych professor at George Mason University.

DON'T LET YOUR NOSE GET BROWN

Your peers may grow jealous of your rapport with the boss. Keep them on your good side by continuing to collaborate well and publicly praising peers for achievements, says Jennifer McClure, president of leadership strategy firm Unbridled Talent. "Befriend your boss," she says, "but don't put a target on your back." ■

Illustration by MIKEY BURTON

Retire

Get a Pro on Your Side

YOUR FINANCIAL ADVISER SHOULD PUT YOUR GOALS FIRST. HERE'S HOW TO MAKE SURE THAT HAPPENS. *by* **Penelope Wang**

PROP STYLING BY MEGUMI EMOTO; WARDROBE STYLING BY ATHANASIA NICHOLS FOR HALLEY RESOURCE

IF YOU'RE NEARING RETIREMENT, you'll soon find a parade of financial advisers lining up to help you roll over your 401(k) into an individual retirement account. But beware: The guidance you get may improve your adviser's returns more than yours.

A report issued in February by the Council of Economic Advisers found that conflicted financial advice costs retirement investors an estimated $17 billion a year. Also in February, President Obama trumpeted a proposed Labor Department rule that would better protect retirement investors. The new rule would require financial advisers to act

Photograph by CLAIRE BENOIST

solely in their clients' best interests when giving advice or selling products related to retirement plans, including 401(k)s and IRAs.

That guideline, known as a fiduciary standard, already applies to registered investment advisers. In contrast to RIAs, stockbrokers—who may go by "wealth manager" or some other title—follow a less stringent "suitability" standard, which lets them sell investments that are appropriate for you but may not be the best choice.

Many brokers do well by their customers, but some don't. "A broker might recommend a high-cost, actively managed fund that pays him higher commissions, when a comparable lower-cost fund would be better for the investor," says Barbara Roper, director of investor protection for the Consumer Federation of America.

It could be years before the new fiduciary rule and similar proposals take effect. An earlier Labor Department measure was defeated in 2011 by Wall Street lobbyists, who argued it would drive out advisers who work with small accounts.

This time, says Roper, the rule's chances seem better. Securities and Exchange Commission chairwoman Mary Jo White has also announced support for a fiduciary standard that would protect more individual investors beyond just those seeking help with retirement accounts. And the New York City Comptroller recently proposed a state law that would require brokers to tell clients that they are *not* fiduciaries.

Until those measures take effect, protect your retirement portfolio by following these guidelines:

Find out if you come first. Ask your adviser or prospective adviser if she is a fiduciary. A yes doesn't guarantee ethical behavior, but it's a good starting point, says Roper.

Then ask how the adviser will be paid. Many pros who don't receive commissions charge a percentage of assets, typically 1%. Some advisers, however, are fiduciaries in certain situations but not all. So ask if the adviser is compensated in any other way for selling products or services. "You should understand what the total costs of the advice will be," says Fred Reish, a benefits attorney with Drinker Biddle.

Many RIAs work with affluent clients—say, those investing at least $500,000—since larger portfolios generate larger fees. That's one reason other investors end up with brokers, who are often paid by commission. Have a smaller portfolio? Find a planner who will charge by the hour at GarrettPlanning.com or findanadvisor.napfa.org (select "hourly financial planning services"). Your total cost might range from $500 for a basic plan to $2,500 or more for a comprehensive one.

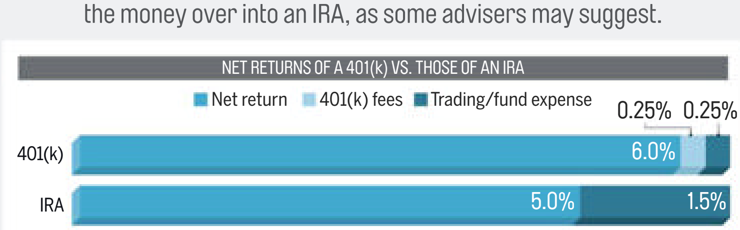
Beware a troubled past. Any financial professional can say he puts his clients' interests first, but his past actions might contradict that. To see whether a broker has run afoul of customers or regulators, inspect his record at brokercheck.finra.org. RIAs, who are regulated by the SEC and the states, must file a disclosure form called ADV Part 2, which details any disciplinary actions and conflicts of interest; you can look it up at adviserinfo.sec.gov.

Favor a low-cost approach. A fiduciary outlook should be reflected in an adviser's investment choices for you—and their expense. "Before making any recommendations, your adviser should first ask how your portfolio is currently invested," says Mercer Bullard, a securities law professor at the University of Mississippi. Your 401(k) may have low fees and good investment options, so a rollover might be a bad idea.

If the adviser is quick to suggest costly, complex investments such as variable annuities, move on. "Most investors are best off in low-cost funds," says Bullard. And with so much at stake, you want an adviser who's more concerned with your costs than his profits.

How Conflicted Advice Can Cost You

Keeping retirement funds in a low-cost 401(k) may be better than rolling the money over into an IRA, as some advisers may suggest.



NOTE: *Illustration assumes both accounts have 6.5% gross return.* **SOURCE:** *Council of Economic Advisers, 2015*

Give Social Security a Break

LOOK AT SOCIAL SECURITY IN THE RIGHT LIGHT, AND YOU'LL SEE WHY IT'S WORTH DELAYING BENEFITS.

by Philip Moeller

SOCIAL SECURITY is a great insurance policy. But sometimes people mistakenly regard it as just one more investment that they should try to maximize.

That kind of thinking might persuade you to take benefits sooner rather than later and can have a big impact on how much money you and your family receive.

Central to this problematic point of view is a breakeven analysis. Between the ages of 62 and 70, your benefits rise about 7% or 8% for each year you defer taking them. Wait until age 70, and your monthly benefit will be 76% higher, on an inflation-adjusted basis, than if you claimed at age 62.

Here's the breakeven puzzle: Let's say you wait to take Social Security so you can get a higher monthly benefit. How old will you be before the total value of your higher benefits catches up with the amount you would have received had you started taking Social Security years earlier?

Roughly calculated, the typical breakeven age is about 80½. Until then, you'll get more money by taking benefits early. If you don't spend those benefits but invest them instead, the breakeven age can be even higher.

So based on guesses about your lifespan and what you'll earn by investing your benefits, you might think it best to take benefits early.

WHY BREAKEVEN IS MISLEADING

But this feels wrong to me. Once you start doing this breakeven analysis, you're looking at Social Security as an investment on which you want to earn the highest return. And it isn't an investment. Rather, Social Security is a gilt-edged insurance policy that protects you from a major risk: living a very, very long time—long enough to outlast your money.

Think about other types of insurance. You buy home insurance, for example, to protect against the possibility of damage or total loss.

If your home never burns down, is the money you spent on insurance premiums a loss? No. You pay for protection, not profits. That's true for Social Security also.

THE ULTIMATE PAYOFF

Social Security benefits are for as long as you live. The average 65-year-old will live about 20 more years; many people that age will live much longer (see the chart).

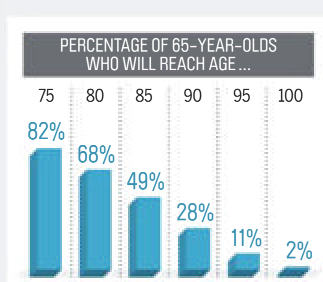
Those benefits are immune to a stock market collapse. They rise to offset inflation. While most 401(k) and traditional IRA distributions are fully taxable, no more than 85% of Social Security payments are subject to federal tax, and most states don't tax Social Security.

Finally, waiting to receive a larger benefit means that survivor benefits based on your earnings will be larger too. That helps your surviving spouse (if your spouse isn't collecting a larger amount based on his or her own work record). This is terribly important for women, who on average outlive their husbands and are more likely to need survivor benefits. Breakeven analysis can turn out to be a bad break for them. ■

Philip Moeller, a research fellow at the Center on Aging & Work at Boston College, is co-author of Get What's Yours: The Secrets to Maxing Out Your Social Security.

Live Long, Prosper

You or your spouse may need Social Security longer than you think.



SOURCE: *United States Life Tables, 2010, Centers for Disease Control and Prevention (November 2014)*

Make Your House a Home to Last

TO ABIDE BY YOUR ABODE IN RETIREMENT, START WITH THESE PREPARATIONS NOW. *by Donna Rosato*

IF YOUR HOME IS WHERE your heart is, then you're probably thinking you'll stay in it through retirement. Join the club: Three-quarters of people 45 and up surveyed by AARP say they'll remain in their current residences as long as they can.

Adapting your home to accommodate your needs as you age takes work, however. So the earlier you start, the better. Do it now, while you have income and energy to tackle the project, advises Amy Levner, manager of AARP's Livable Communities initiative. Here's your plan of action:

Start with the easy fixes. Many of the upgrades that make it easier to stay in your home as you get older—such as raising electrical outlets to make them more accessible, installing better outdoor lighting, and trading in turning doorknobs for lever handles—aren't expensive. "And these small changes can make a big difference," says Levner. Check out AARP's room-by-room guide at aarp.org/livable-communities for more suggestions of what to fix.

Assess the bigger jobs. To make your house livable for the long, *long* run, consider investing in some more extensive renovations. These include things like bringing the master suite and laundry room to the first floor to avoid stairs, adding a step-in shower, and covering entranceways to prevent falls. Such jobs can be costly, so get a bid from a contractor—then determine if it's worth that price to you to stay or whether you'll just move later if need be. The good news is that changes you make for aging in place can also make the home more appealing to future buyers, says Linda Broadbent, a real estate agent in Charlottesville, Va.

Budget for outsourcing. No getting around the upkeep a house requires. Sure, when you're retired, you'll have more time to mow the lawn and paint the fence. But don't forget that you may be away from home for periods traveling or visiting the grandkids. And later on, you probably don't want the physical drudgery of home maintenance. Research the fees to hire out some of the tougher tasks such as snow removal and yard work, and build those costs into your retirement income needs.

Deepen community connections. Your close-by social network is just as important as the house itself. "Living in a place where people know you and can help you or provide social interaction will give you a better quality of life," says Emily Saltz, CEO of geriatric-care-management service provider Life Care Advocates. Use these pre-retirement years to strengthen local ties—explore volunteer opportunities, check out classes, and get to know your neighbors. Maintaining a social circle is especially important if your kids live far away or have demanding jobs. Good friends will shuttle you to doctors' appointments and hold the ladder while you change the fire-detector battery, besides helping you up your tennis game.

What It Costs to Age-Proof Your Home

According to AARP, these features are key if you plan to stay put.

First-floor master suite	Covered entryway	Bathroom grab bars	Lever-style door handles	Motion-sensor exterior light
$103,000	$6,000	$45	$30	$20

NOTES: *Prices for grab bars, door handles, and lights are per unit.* ***SOURCES:*** *AARP, National Association of Home Builders, AgeInPlace.org, Remodeling magazine*

Invest

PROP STYLING BY MEGUMI EMOTO: BEAR PROVIDED BY ALL CREATURES LARGE AND SMALL

Plan for a Tamer Bear

STOCKS WILL EVENTUALLY SUFFER A DOWNTURN. BUT DON'T ASSUME IT HAS TO BE A GRISLY ONE. *by* **Carla Fried**

THE CURRENT BULL MARKET is looking almost old enough to qualify for Social Security. Now in its seventh year, this rally is nearly twice the length of the typical bull and is the fourth-oldest since 1900. Meanwhile stocks are getting expensive, profits are slowing, and equities will soon face another headwind in the form of Federal Reserve interest-rate hikes, possibly starting as soon as summer.

Yet this is not a call to hightail it out of the market. Few suggest a bear attack is around the very next corner. And even if a selloff is coming soon, two-thirds of bull markets over the past 60

Photograph by CLAIRE BENOIST

years have added gains of at least 20% in their final stage, according to InvesTech Research. So there's a risk to overreacting.

That said, "how you invest in the seventh year of a bull market is not the same as at the start of a bull market," says InvesTech president James Stack. And the next bear market is probably going to look a lot different from the ones you've grown used to.

So here's a playbook for getting your portfolio ready:

EXPECT A LESS GRISLY BEAR

The last two downturns you recall happen to be among the worst in history, so it's understandable if you're concerned about getting mauled. But this time "we don't see any bubbles or concerns that would suggest we're heading for a repeat of 2000 or 2007," says Doug Ramsey, chief investment officer at the Leuthold Group.

Ramsey expects a "garden variety" downdraft of around 27.5% (see chart). After a six-year rally in which the market has soared more than 200%, that's not catastrophic. Also, it's psychologically difficult to buy on the dips in a megabear that might drag on for years. But a run-of-the-mill bear market can be viewed as "an opportunity," says Kate Warne, investment strategist at Edward Jones.

Warne's advice: Plan to rebalance your portfolio to your target stock allocation in the next bear. Get ready to do so once your mix changes by around five percentage points. A 70% stock/30% bond portfolio will hit that point as equity losses approach 20%. Selling bonds to replenish your equities will set you up for the next bull.

STAY COMMITTED ABROAD

In the last bear, global economies tumbled in sync. Not so this time. In the U.S., the Fed is on the verge of lifting rates on the strength of our economy. Yet the eurozone and Japan are stuck in neutral, and their central banks are trying to stimulate growth. "Their stocks reflect that weakness, making them more attractive right now compared to the U.S.," says Warne.

The broad U.S. market trades at a price/earnings ratio of 17.7 based on profit forecasts. Yet stocks held by **Fidelity Spartan International Index** (FSIIX) and **Dodge & Cox International** (DODFX)—both in the MONEY 50—trade at about 15 times earnings. Warne suggests keeping up to a third of your stocks in developed foreign markets.

DON'T OVERLOOK LATE-STAGE BULL LEADERS

While the S&P 500 is trading modestly above its long-term average, the median P/E of all U.S. stocks is at an all-time high. "That tells you that small- and midcap stocks have higher P/Es, and they will be the ones to fall the furthest in a bear market," says Stack.

That makes blue chips more compelling. InvesTech also studied the final stage of bull markets and found that the energy, technology, health care, and industrial sectors tend to outperform. Energy is obviously a tricky case given the recent volatility in oil prices, but Stack says it should not be shunned. MONEY 50 pick **Primecap Odyssey Growth** (POGRX) has nearly 80% of its assets in those sectors.

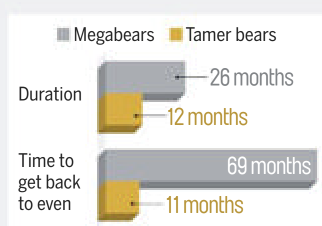
DIAL BACK ON ALTERNATIVES

If you've been using high-yielding utility stocks as bond stand-ins, now is the time to take some profits. Along with financial and consumer discretionary stocks, utilities are late-stage laggards.

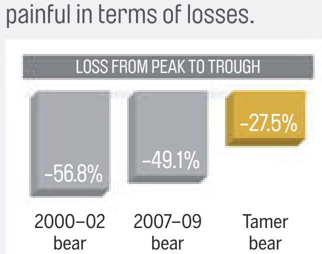
And if you've reduced your fixed-income allocation in favor of higher-yielding alternatives such as REITs or master limited partnerships, it's time to shift back to core bonds. Such income alternatives are more highly correlated with stocks than are basic bonds. Fixed-income returns may be muted once rates start rising. But that doesn't change the role of high-quality bonds: shock absorbers when stocks are falling.

The Running of the Bears

Compared with the last two stock crashes, garden-variety bears are much shorter in duration ...



... and they're about half as painful in terms of losses.



NOTES: Data since 1929. Megabears are losses of 40% or more. SOURCE: Standard & Poor's

Take a Vacation From Extra Risk

CONTRARY TO MARKET LORE, SUMMER IS NO TIME TO SELL STOCKS AND SIT ON CASH. BUT IT IS A CHANCE TO ADJUST.

by Paul J. Lim

THERE'S AN OLD Wall Street saying: "Sell in May and go away," because stocks tend to do poorly in the summer. That's been attributed to traders going on vacation, or the notion that spring bonuses on the Street stoke a buying euphoria that wears off by June. It may just be that the old saying itself creates a self-fulfilling prophecy. Because, surprisingly, there's something to it. Since 1926 stocks have returned only around half as much from May through October as they have in the rest of the year.

The summer doldrums are nearly here. Plus, the Federal Reserve is threatening to hike interest rates, and the bull market is feeling old (see previous story). So you're probably already hearing the drumbeat telling you to sell.

Yet there's one thing proponents of sell-in-May leave out. For practical purposes, it still doesn't beat buying and holding. "It makes sense only if you have an alternative investment," says Steve LeCompte, editor of CXOadvisory.com. And you really don't: Even during the May–October stretch, stocks on average outpace cash and bonds. Factor in trading costs, and sell-in-May looks even worse.

Since 1871, finds LeCompte, buy-and-hold produced an annual rate of return of 8.9%, vs. 4.8% for the seasonal strategy. That doesn't mean you must totally ignore stocks' summer blahs, though. There are two ways to take advantage of the pattern without betting big on timing the market.

MAKE THAT "REBALANCE IN MAY"

You may already be rebalancing every year or two. The logic of rebalancing is that by resetting your assets back to their original mix, you often are selling a faster-growing investment that's gotten expensive. You don't need to do this often when you are young and mostly in stocks anyway, but later on rebalancing helps keep a conservative portfolio conservative.

Yet if you do this near the end of the year, as many do, you may be selling stocks when they still have some pep. Rebalance in May, and you'll give up less return in the short run. From May through October, the annualized growth rate for stocks is just 0.7 percentage points more than for bonds.

STAY AWAY FROM RISKIER PLAYS

While there's no reason to bail in May, it isn't the best time to add new risks. Sam Stovall, U.S. equity strategist for S&P Capital IQ, says the summer effect is particularly strong in economically sensitive areas like consumer discretionary stocks and small-caps. If you set aside part of your portfolio for more-speculative bets, consider coming back to it in autumn. You may find you have more bargain-priced choices. And your beach days will have been less stressful. ■

Assistant managing editor Paul J. Lim is the author of three books on investing.

Illustration by MATT HARRISON CLOUGH

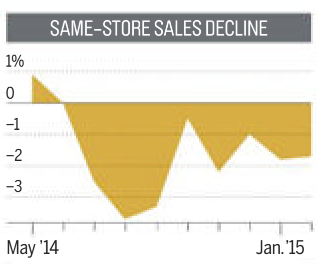
X-Ray: McDonald's

CAN IT APPEAL TO FAST CASUAL DINERS—AND INVESTORS? *by Ryan Derousseau*

The Golden Arches have lost some of their luster—and sales—amid the frenzy around millennial-friendly eateries like Chipotle and Shake Shack that charge a bit more but promise higher-quality food. Yet this "fast casual" trend is one Mickey D's knows well. McDonald's financed Chipotle's growth until 2006, when it sold its majority stake. Plus, new CEO Steve Easterbrook turned around McDonald's U.K. by promoting healthier and locally sourced fare. The question is, Will Wall Street give him credit if he can work some of that magic across all 14,350 U.S. restaurants?

Changing Tastes

It's not just better burgers that are eating McDonald's lunch.

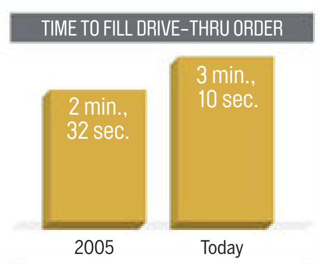


The burger biz is as tough as ever, with the rise of acclaimed chains such as Smashburger and Five Guys. Yet this is the least of McDonald's worries. Sanford C. Bernstein analyst Sara Senatore notes that even if every dollar made by the new joints came straight from McDonald's till, U.S. sales would drop only 5%.

The "better burger" boom is just a symptom of a bigger threat: evolving consumer tastes. People care about "quality more than ever," says Edward Jones analyst Jack Russo. Fast casual restaurants trumpet their naturally raised beef and pork. McDonald's is playing catch-up, so far cutting antibiotics in its chicken. That addresses quality. But McDonald's burgers still ranked last among chains in a 2014 *Consumer Reports* survey for taste.

Not-So-Fast Food

Can Mickey D's customize orders without slowing down service?

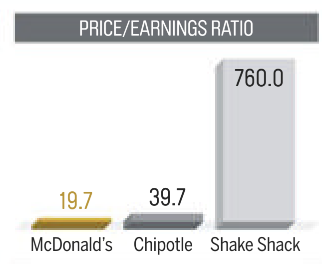


Fast casual restaurants have another leg up on McDonald's: their ability to customize orders. That is one reason Morgan Stanley analyst John Glass expects fast casual sales to grow 9% in 2015, vs. just 2.3% for the broader fast-food industry.

McDonald's is responding by rolling out kiosks in up to 14% of its U.S. locations this year where customers will be able to build their own burgers. One cooking station will work on regular menu items while another will produce the personalized fare. This is no slam dunk, says Glass. McDonald's sales have also slowed because it's taking longer to fill orders as the menu has grown. So customization will work only if it doesn't slow down McDonald's service even more.

Lean and Mean

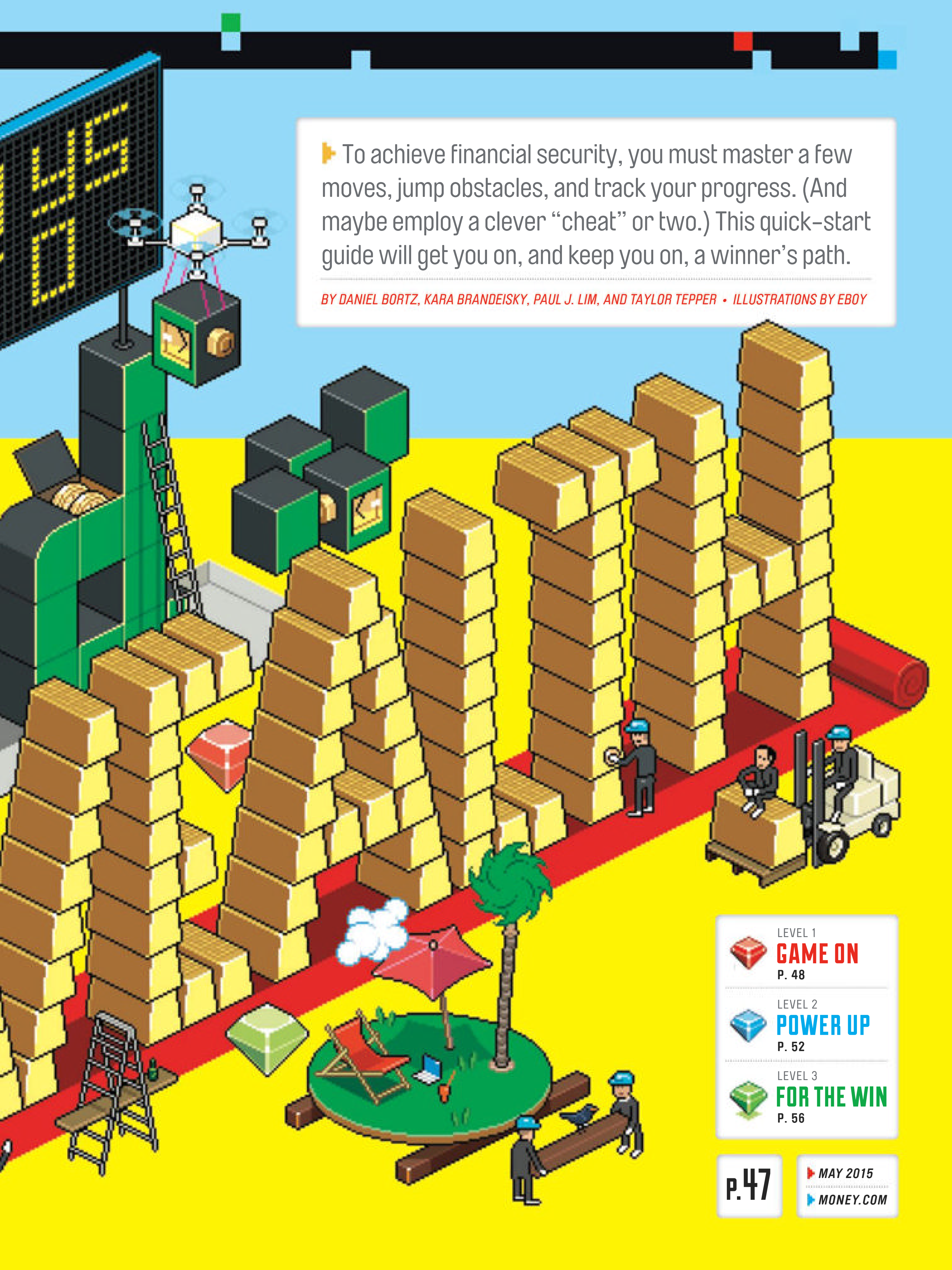
The hope: Investors will embrace the slimmed-down menu and stock.



The company that once hawked supersize fries and added 100 items to its menu in the past decade is streamlining. Easterbrook hinted at trimming the number of ingredients to get food out of the kitchen faster. And McDonald's already removed five extra-value meals from the menu.

Yet the biggest value the chain can offer these days may be its stock. Since 2012 the shares have sunk 4%, while Chipotle stock has doubled. McDonald's price/earnings ratio is half that of Chipotle's. And the stock is cheaper than shares of many consumer companies, notes Russo. McDonald's doesn't have to beat Chipotle, analysts say. If the economy and McDonald's food quality improve enough to push sales higher, investors could start lovin' it again. ■

NOTE: *P/E ratios are based on projected 2015 earnings.*
SOURCES: *McDonald's, Janney Montgomery Scott, Zacks.com*



To achieve financial security, you must master a few moves, jump obstacles, and track your progress. (And maybe employ a clever "cheat" or two.) This quick-start guide will get you on, and keep you on, a winner's path.

BY DANIEL BORTZ, KARA BRANDEISKY, PAUL J. LIM, AND TAYLOR TEPPER • ILLUSTRATIONS BY EBOY

GAME ON

To begin your journey, get the hang of some basic rules, take a few risks, and store up resources for the next level.

LEVEL 1

Nos. 1–34

1

SET A SAVINGS GOAL THAT MATCHES YOUR MONEY MINDSET

When you hear the word "saving," do you imagine the retirement you hope to enjoy? Or does your brain go right to the 401(k) forms you need to fill out? For those who tend to focus on the big picture, a specific target (say, to reach a balance of $50,000 by a certain date) can motivate saving, says Gülden Ülkümen, a business professor at the University of Southern California. If you're thinking mainly of the nuts and bolts, though, picking a dollar figure may make the task feel harder. Instead, concentrate on putting away as much as you can. • **2.** Whatever the goal, keep it real. "You don't want goals that are so aggressive that you'll lose steam," says Lisa Ordóñez of the University of Arizona, who has studied the effects of goals on behavior.

AGE CHECK: BY 25

3. TUCK AWAY A MONTH OF EXPENSES Even if it means paying off debt more slowly. That will cover surprises like car repairs. Once you've hit that point, says financial planner Matt Becker, focus on the next goal: six months of expenses, to cover you should you lose a job.

4

START FIRST, BE AN EXPERT LATER Getting going on a 401(k) can feel like jumping into the deep end. How much in stock funds? What about bonds? But early on, saving *at all* matters more than picking the best mix. Say you put away 6% of your pay, with a 3% match, starting at 25. For 10 years you earn a lousy 2%, and then adjust your portfolio so that you earn 6% for the next 30 years. That wobbly first decade will still have added 47% to your total wealth by age 65.

CHEAT

5. JUGGLE EMERGENCY SAVING AND A 401(k) BY PLAYING IT SAFE Until you have six months' liquid savings (No. 3), investing isn't a top priority. But you should put enough into a 401(k) to get an employer match. To balance the two goals, hold some less risky fare like bonds, says Lillian Wu of Research Affiliates. With taxes and penalties, cashing out a 401(k) is a last resort. But if you're forced to do it, it's better to have some safe money.

BEGIN YOUR CAREER IN A WEALTH-BUILDING CITY

Zillow.com says these metros offer job growth above the median 1.3% and homes for less than the typical 2.9 times income:

6. DALLAS Its many affordable burbs include MONEY's No. 1 Best Place to Live in 2014, McKinney.
JOB GROWTH: **3.3%**
HOUSING COST: **2.5 x income**

7. ATLANTA Home to HQs of *Fortune* 500 companies including Coca-Cola and United Parcel Service.
JOB GROWTH: **2.4%**
HOUSING COST: **2.7 x income**

8. INDIANAPOLIS Metro boasts another Best Place: walkable, arts-rich Carmel.
JOB GROWTH: **2%**
HOUSING COST: **2.4 x income**

10 SPEND MONEY TO INVEST IN YOURSELF TOO

Economists at the Federal Reserve Bank of New York have found that most Americans get their biggest raises during their first decade in the workforce. So lay the groundwork for wage growth early. Don't be afraid to shell out some money for a business communication class, technology training, or an additional job certification, says Michael Kitces, co-founder of XY Planning Network, a group of planners with Gen X and Y clients. A $500 class that leads to a promotion and raise could pay off in compounding returns throughout your career, as future raises build on top of your higher base wage. "It may literally be the single greatest investment you can make," says Kitces.

11 RENT UNTIL YOU CAN STAY PUT

When deciding whether to rent or buy a home, don't forget the fees, commissions, and closing costs that come with buying, says Darrow Kirkpatrick of CanIRetireYet.com. Local prices and appreciation trends matter too. Use the rent/buy calculator at Trulia.com to see the tradeoffs. A good rule of thumb is to rent if you might move in three years or so.

12 READY TO BUY? REMEMBER "28/36"

Eight years after the real estate crisis, lenders are making mortgages more accessible. (For more on the housing recovery, see page 60.) But don't go back to the old days of high borrowing, even if a lender offers some wiggle room. Housing should take up no more than 28% of gross monthly income; housing plus other debt, 36% or less.

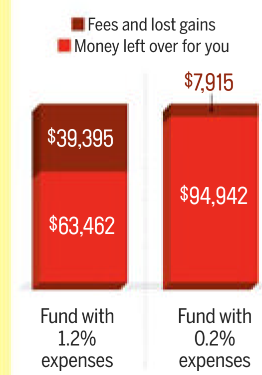
9 GO AHEAD, HAVE A LATTE

Reducing small expenses can't hurt, but housing is where you can save real money when you're young. Rent on a two-bedroom, with a roommate, can be 44% less than for a one-bedroom alone, according to Apartment List data.

13 DON'T PAY 33% OF YOUR MONEY IN FEES

Mutual fund charges look small, but the cost of paying an extra 1% a year in fees is that you give up 33% of your potential wealth over the course of 40 years.

WHAT YOU PAY FOR A $10,000 FUND INVESTMENT OVER 40 YEARS



NOTE: *Underlying 6% return.* **SOURCE:** *Bankrate*

14 USE WINDFALLS TO RAMP UP

The easiest dollars to set aside are the ones you aren't used to spending. So put a portion of bonuses and tax refunds into savings. Make raises an occasion to up your 401(k) contribution. About 44% of plans have some kind of auto-escalation feature, which allows your savings rate to rise with your income, but you may have to specifically sign up for this option.

BONUS POINTS!

15 DON'T TEND TO YOUR 401(k) AFTER A ROUGH DAY AT WORK

You save more when you feel powerful, even when it's for a quirky reason. A recent study in the *Journal of Consumer Research* found that people who had just answered questions while sitting in a tall chair were more likely to save money than those on a low ottoman. A practical takeaway: Consider reserving your major financial chores for "up" days when you are feeling in command, says study co-author Anne-Kathrin Klesse.

16. IGNORE THE THREE-YEAR PLAN

$824

Savings from paying a $5,000 credit card debt (15% APR) in one year instead of three

Card statements must show how much you'd pay if you settle in three years, if paying the minimum takes longer. That's good if it speeds you up. But business professors Neal Roese and Hal Hershfield have found that people who see a three-year example may pay back more slowly than otherwise, perhaps because they (incorrectly) take the example as a suggestion. Faster is better.

DO A FINANCIAL HOUSECLEANING

Little automatic credit card billings add up. Take charge of your charges:

17. RUN A MEDIA AUDIT Look at the services you pay for, and cull those you stopped using. How long has that Netflix DVD been sitting unwatched since you started streaming TV?

18. KILL "GRAY" CHARGES These range from "free" trials you forgot to cancel to things you *thought* you canceled but somehow stayed on your bill. Aite Group says cardholders pay an average $75 a year for them.

RESET

19. START SMALL TO PAY OFF BIG DEBT If heavy balances are weighing you down, start paying off the smallest balance first, suggests Beverly Harzog, author of *The Debt Escape Plan.* The math says to go after the card with the highest interest. But unless there's a big difference in two cards' rates, it's often more helpful to get positive mental feedback from clearing a debt so that you sustain your repayment plan.

MAKE STARTING UP SMOOTHER

Not everyone's path to wealth is lined with biweekly paychecks. (In fact, 29% of households with a net worth above $500,000 own a stake in a business.) Whether you are launching a company or just want to go freelance, have a plan that helps you ride out the inevitable bumps.

20. HAVE A BUSINESS CASH CUSHION On top of an emergency fund for personal expenses, set aside enough to cover business-related costs if you hit an income dry spell. Also, make sure to budget for taxes due quarterly, says Joseph D'Agnese, author of *The Money Book for Freelancers, Part-Timers, and the Self-Employed.*

21. BE SAVVY WITH SMALL-BIZ CREDIT CARDS If you don't carry a balance, Low-Cards.com's card expert Bill Hardekopf likes Chase Ink Cash Business. You can get $200 back after sign-up and 5% cash back for everyday business items like office supplies, phone service, and Internet.

AGE CHECK: BY 30

22. GET YOUR 401(k) IN GEAR You started by saving enough to get your employer match. Now aim for 12% or more of income (that's including the match). At that rate, you're likely to hit your retirement goal.

25 PICK JUST ONE FUND ...

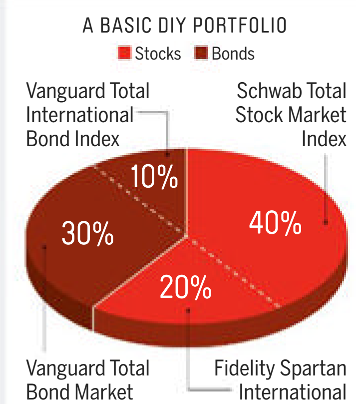
You don't have to be fancy to be an effective investor. A classic balanced mix (about 60% stocks/40% bonds) provides plenty of equities' upside, with less pain during crashes. The **Vanguard Wellington** (VWELX) balanced fund has earned an annualized 8% over a decade.

26 ... OR A ROBO-ADVISER ...

Outside of a 401(k), if you want a plan that's more tailored to you, web-based automated investment services can put you in a mix of low-cost index funds and then rebalance as you go. Betterment and Wealthfront stand out as low-cost options, charging 0.35% of assets or less.

27-30 ... OR MIX YOUR OWN SIMPLE PLAN

Four very low-cost funds, recommended on the MONEY 50, deliver all the world's major markets. The more aggressive you are, the more you can tilt toward stocks.



SOURCE: *MONEY research*

PAY BUMP

31 DON'T WAIT FOR A PERFORMANCE REVIEW Most companies do performance reviews in February or March—but set budgets before the end of the prior year. If you can make the case for a raise, start the conversation no later than December.

32 LEAD WITH THE DOLLARS You are more likely to get a raise—and a higher one at that—when you say *what* you want first and explain *why* you deserve it second. "It sounds like a trivial difference, but it produces a significantly different outcome," says negotiations expert Robin Pinkley of Southern Methodist University.

33 PUT IT IN A RANGE Asking for an extra $5,000 to $7,000 a year beats plain old $5,000. You'll seem cooperative and flexible—and make it harder for the boss to return with a lowball counteroffer, according to a new study by Daniel Ames and Malia Mason of Columbia University.

34 BOW OUT GRACEFULLY WHEN YOU GO Didn't snag the pay you deserve? With the economy adding 266,000 jobs a month, you have options. After giving notice, arrange a friendly exit interview with the boss—her endorsement will be valuable in the next switch.

23 SQUEEZE THE MOST FROM YOUR HEALTH PLAN

About 90% of large employers have some kind of wellness program, which may offer you a premium break or extra contributions to a health savings account. • **24.** And if your only option at work is a high-deductible plan with an HSA, add cash to your account if you can. The money is tax-free as long it's eventually spent on health care.

POWER UP

Once you know what the rules are, it's time to up your game with strategies that will lead to more significant opportunities for wealth.

LEVEL 2

Nos. 35–70

35

PLUG THE BIGGEST HOLE IN YOUR 401(K)

Paying an extra 1% in annual 401(k) expenses could reduce your nest egg by about one-third come retirement. So take advantage of the cheapest option in your plan—a basic S&P 500 index fund. Some charge as little as 0.1%, vs. 1% or more for actively managed funds. If your 401(k) doesn't offer other low-cost investment options, diversify elsewhere. Save enough to get the company match. Then fund an IRA, where you can choose which bond funds or foreign funds to go with. • **36.** While you're at it, dump company stock. About $1 out of every $7 in 401(k)s is invested in employer shares. But your income is already tied to that company. Your retirement shouldn't be too.

AGE CHECK: BY 35

37. START A 529—*NOW*. Wait until your kid turns 5 to start a 529, and you'll need to save an extra $20,500 toward a four-year public education to make up for lost time, according to estimates by Savingforcollege.com. That is, if you want to pay full freight. A 529 lets you invest tax-free and withdraw funds for qualified higher-education expenses.

MAKE YOUR CREDIT CARD PAY YOU

Not all plastic is bad for you. Some credit cards will pay you 2% to 3% back on a wide variety of purchases. Just remember: These cards make sense only if you pay your balances in full each month.

38. CITI DOUBLE CASH Ranked by MONEY as one of the best, Double Cash charges no annual fee—and you get 2% back on everything.

39. AMEX BLUE CASH PREFERRED Another MONEY winner, this one gives you 6% back on groceries (up to $6,000), 3% on gas, and 3% at department stores. There's a $150 sign-up bonus, but the card has a $75 annual fee.

40. DISCOVER IT MILES You receive 1.5 "miles" per dollar spent. That total is doubled at the end of the first year. Each mile is worth one penny. You can redeem them for cash as a direct deposit. So in the first year, this is basically a 3% cash-back card.

41

FIX UP YOUR HOME—THE CHEAP WAY Looking to sell fast? Curb appeal literally gets buyers in the front door. An overlooked simple project: a fresh seal coat on the driveway, which "gives a pop" of a first impression, says Kokomo, Ind., agent Paul Wyman. For more ideas, see "The Just-Right Market" on page 60.

42

FIX UP YOUR HOME—THE LUXE WAY You'll get the most bang for your buck by adding living space, says Craig Webb of *Remodeling* magazine. An attic bedroom and basement remodel average $51,700 and $65,400, but, he says, "buyers will appreciate that you made space that wasn't previously available."

43. DITCH THE 30-YEAR MORTGAGE

$250K

Potential savings by using a 15-year mortgage instead of a 30-year loan

The 30-year mortgage has been called the best friend of the middle class, since it allows families to buy bigger homes. But is that in your best interest? Meet your new buddy: the 15-year loan. The shorter term makes you stay on a tighter budget. The trick is to commit before picking a house, because "that really forces you to save," says financial planner Ron Rogé. Say you can afford $1,950 payments on a $400,000 home with a 30-year loan at 3.75%. With a 15-year at 3%, you'd have to settle for a $310,000 home. But you'd have a better shot at retiring debt-free. And the total cost savings are immense.

RESET

44. TURN LOSSES INTO GAINS You may be sitting on a few stocks or funds that turned out to be lemons. Time to make some lemonade. By routinely selling your portfolio's losers and replacing them with similar—but not identical—investments, you'll maintain your overall strategy while offsetting capital gains (or up to $3,000 in ordinary income). This small step can add 0.8 point a year to your after-tax total returns, according to Betterment.

45 PICK THE RIGHT HOOD

"Don't buy in the part of town that's already hot—you'll have missed the opportunity to buy low and sell high," says Stan Humphries, chief economist at Zillow. Look in an adjacent area "and wait for the cool to come to you." • **46.** Don't listen to that old saw about buying the worst home on the best block. That'll bite you when it comes time to sell. • **47.** Do look for a nearby Starbucks. "Homes within a quarter-mile of Starbucks doubled in value, whereas the average home in the U.S. appreciated 65%" from 1997 to 2013, he says.

AGE CHECK: BY 40

48. BECOME A FREE AGENT Workers may get 3% raises in 2015, but execs who jump ship can expect 15%, says the executive search firm Salveson Stetson Group. A raise like that at 40 can boost lifetime income by 9%.

49 REPACKAGE YOURSELF When you were starting out, you may have played up your full work history. At this stage, tailor your résumé to experiences that speak to a specific job—for instance, how you boosted sales at your last position, says Marcelle Yeager, president of Career Valet. Also, put education credentials at the bottom, says professional résumé writer Dawn Bugni. That you got a bachelor's degree 20 years ago doesn't mean that much now.

CHEAT

50. AUTOMATE YOUR JOB SEARCH There are simple ways you can help prospective employers find *you* with little effort. For starters, make it easy for hiring managers to spot you by filling your LinkedIn profile with keywords associated with the type of job you want. The service will make suggestions for you, but look at job listings posted on the site by companies you want to work for to see what keywords they use as well. Also, sign up for the anonymous job site Poachable, and download the app Poacht.

51 AIM TO BE SUPERPRIME *The difference in the cost of lifetime debt for someone with an excellent credit score (anything above 740) and a poor one (think below 550) is about $150,000, according to Credit.com. Even climbing to superprime status from merely good (680 to 739) can save you tens of thousands of dollars. To get there, Credit.com's Gerri Detweiler suggests using only a fifth to a quarter of available credit on any card each month and checking credit reports from all three agencies at least once a year through AnnualCreditReport.com.*

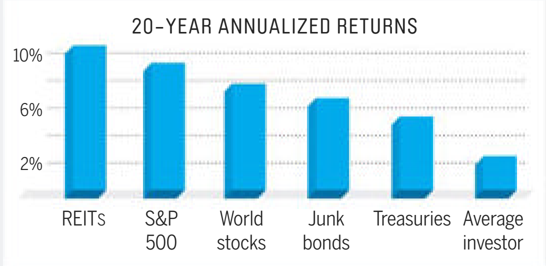
BONUS POINTS!

52 PICK AN ASSET, ANY ASSET

You can get into trouble by being too clever by half. The average investor has barely beaten inflation in the past 20 years as a result of buying trendy assets high and selling low. Forget all that. As the chart shows, you're better off buying and holding almost any major asset class.

BUY AND BEHOLD

By mistiming the market, the average investor earned only a little more than inflation. All these other assets beat that handily.



NOTES: *Returns are through Dec. 31, 2013.* ***SOURCES:*** *Bloomberg, Morningstar, Dalbar*

GO DUMPSTER DIVING FOR YOUR STOCKS

56

ENERGY SHARES Betting on last year's cheapest sector and holding for a year has trounced the S&P since 1991, according to the Leuthold Group. Last year's lowest P/E sector was energy. **Vanguard Energy ETF** (VDE) charges just 0.12% a year.

57

EUROPEAN STOCKS European equities sank last year, while the S&P posted double-digit gains. The region's stocks now trade at a 10% discount to U.S. shares. Go with **T. Rowe Price European Stock** (PRESX). Prefer a broader fund? **Oakmark International** (OAKIX) keeps more than 75% of its assets in Europe.

58

GOLD MINERS These shares trade 33% below "fair value"—the most for any sector, according to Morningstar. Stick with the well-diversified **Vanguard Precious Metals and Mining Fund** (VGPMX), which invests in shares of gold and other miners.

53

TOP OFF YOUR PORTFOLIO *After you've fully diversified, what's next? Try a nightcap. Investments in fine wine returned an inflation-adjusted 4.1% a year (net of storage costs) from 1900 to 2012, according to a study in the* Journal of Financial Economics. *That beat bonds, art, and stamps. The fees surrounding wine purchases can be high, and the learning curve for knowing which wines make the best investments can be steep, so this is for only the most dedicated investors. On the plus side, even if prices collapse, as they did just after World War II, wine is literally a liquid asset. So you can always drink your portfolio.*

BONUS POINTS!

54 BE PATIENT WITH FUNDS

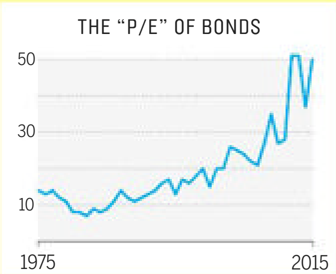
Some well-known bargain-minded funds, such as **Dodge & Cox Stock** (DODGX), have struggled this past year. That doesn't mean you should flee. True value funds refuse to buy popular—read expensive—stocks, so they often lag in frothy times. But over the past 15 years, Dodge & Cox has outperformed its peers by 2.5 percentage points a year and the S&P by more than four points.

55 BE STINGY WITH FUNDS

Cheapskates know index funds aren't their only options. Actively managed blue-chip stock funds with an expense ratio of 0.35% or less have returned 8.5% over the past decade. That's 0.5 percentage point better annually than the S&P 500. A great option: **Vanguard Equity-Income** (VEIPX), charging 0.29%, has outpaced the market's gains by 3.5 points annually over the past 15 years.

59 FOR BONDS, FLIP THE YIELD

Mental trick: If you invert the yield of bonds—dividing 1 by that figure—you'll get what's akin to a P/E ratio. This helps you see that bonds, like stocks, have gotten expensive lately and may be vulnerable to a fall.



SOURCES: *Robert Shiller and MONEY calculations*

60 FOR STOCKS, FLIP THE P/E

Mental trick: By inverting a stock's P/E, you can view the shares as if they were bonds, focusing not on price but on "earnings yields." At today's prices you're likely to earn less on stocks than in the past.

SOURCES: *Robert Shiller and MONEY calculations*

CHEAT

61. REBALANCE? MAYBE NOT Routinely resetting your stocks and bonds to their original levels "is a nice idea in theory," says planner Phil Cook. But "if you rebalance too often, you can give up a lot of potential returns." In your twenties and thirties, when you're almost all in stocks, you can skip it. As you age, though, gradually increase the frequency of rebalancing to every few years.

62 BET ON THE RIGHT TYPE OF GROWTH: THE DIVIDEND KIND

Investors often gravitate to the "racecars of stock investing"—shares of rapidly expanding companies that can't bother with dividends, notes Edward Jones strategist Kate Warne. As it turns out, it's not profit growth but rather dividend growth that matters in the long run. Since 1972, stocks in the S&P 500 that consistently boosted payouts have returned 10.1% annually, vs. 2.3% for nonpayers. • **63.** Use these low-cost funds: **SPDR S&P Dividend ETF** (SDY; YIELD: 2.4%; EXPENSE RATIO: 0.35%) and **Vanguard Dividend Growth Fund** (VDIGX; 2.0%; 0.31%). • **64.** Try these solid dividend growers: **AT&T** (T), which sports a yield of 5.6% and has raised its payouts for 30 straight years, and **UPS** (UPS). Its shares yield 2.8%, but the company has raised those dividends by nearly 9% a year for the past five years.

65 LOBBY YOURSELF

At the end of the day, the only person who can persuade you to be a disciplined saver is you. Now there's a way to communicate with your future self. Go to FutureMe.org and send yourself an email, which you can schedule for delivery at a later date. For instance, if you know that a bonus is coming at the end of the year, send yourself a reminder to sock the money away for retirement. You'll thank yourself later.

AGE CHECK: BY 45

66. CLIMB ONE MORE RUNG After 45, only the top 2% of earners see real continued wage growth, on average. So it's time to gun for one more big promotion. For example, while the median salary for a software engineer is \$76,000, senior engineers can expect \$101,000, according to PayScale.com.

67. BREAK UP WITH YOUR HIGH-COST ADVISER Stock and bond returns are expected to be muted in the coming decade, so cutting advisory fees—often 1% of assets—matters. Vanguard Personal Advisor Services charges just 0.3% of assets. Some tech-based services, such as Betterment and Wealthfront, charge even less.

68 BUDGET LIKE IT'S YESTERDAY

You probably have several recurring bills that are now on the verge of going away. Think car loans or your own student debt. When that happens, don't free up the cash. Instead, set aside the same amount of money—you've shown you can afford it—to bolster your nest egg. For example, keep saving \$450 a month (the typical nut on a five-year auto loan for \$25,000) after the SUV is paid off, and you'll drive off with more than \$140,000 in 15 years, assuming 7% annual returns.

DIVERSIFY YOUR DIVERSIFIERS

Small stakes in niche areas such as emerging markets are great, but as those strategies mature, you'll need to tweak them.

69. THE FINAL FRONTIER Developing economies like China and South Korea have, well, emerged. Their populations are graying, their labor force is peaking, and their economic growth is slowing. So look to the new frontier. Frontier markets like Vietnam and Kenya are less developed. The only hitch: Many frontier funds also have large stakes in companies based in the Middle East, where the recent plunge in oil has led to increased volatility. But there are more diversified funds that mix frontier and emerging exposure, like **Harding Loevner Frontier Emerging Markets** (HLMOX), whose holdings sport a P/E of 11.

70. INTO THE WOODS Real estate stocks have performed phenomenally well, beating the broader market by more than 11 percentage points in the past year. Great, but this means real estate is pretty pricey. Time to look beyond the burbs and into the forest. Investment firm GMO thinks timber, a renewable commodity that's tied to housing and economic growth, will beat stocks and bonds over the next seven years. You can invest in this asset easily through ETFs such as **Guggenheim Timber** (CUT) and **iShares Global Timber and Forestry** (WOOD).

FOR THE WIN

You've scored a meaningful balance by now and you're getting ready to enjoy the rewards. Time for one last push while protecting what you've built.

LEVEL 3

Nos. 71–101

71 KEEP CALM AND CARRY ON

There's a lot of handwringing over interest rates. On the one hand, bond fund investors are anxious that rates will soon rise, lowering the value of older debt held by their funds. Even if this happens, it's no reason to flee fixed income. Much of the drop in prices will be made up by the higher yields your funds will earn on newer bonds. • **72.** On the other hand, income investors in general are frustrated the Fed has kept rates so low so long, costing savers in total around half-a-trillion dollars. While you may be tempted to seek out higher-yielding alternatives, remember that such assets are closer in risk to stocks than bonds. And bonds were what kept your portfolio from falling more in the financial crisis. • **73.** If you do opt for a stock-like alternative, such as junk bonds, treat it right. Assume half of that allocation comes from your equities and half from fixed income. Allianz Global Investors compared a 60% stock/40% bond portfolio with a 55% stock/35% bond/10% junk strategy. Over the past 15 years the latter performed slightly better with less volatility.

74 SHIFT YOUR VIEW

Around age 50, you enter peak saving years. (See No. 84.) Imagine your goal now not as a lump sum—which can be abstract—but as a monthly retirement income. A study in the *Journal of Public Economics* found that savers who were shown income projections socked away more. To get a ballpark sense of where you are, use T. Rowe Price's free online retirement-income planner.

75

PUT YOUR PORTFOLIOS TOGETHER ... If you hold a third of your 401(k) in bonds, your mix may be riskier than you think if your spouse is 100% in stocks. Coordinating also improves your options. If your spouse's plan has a better foreign fund, focus your international allocation there.

76

... AND YOUR ASSETS IN THE RIGHT PLACE Once you've maxed out your IRAs and 401(k)s, use taxable accounts for the most tax-efficient investments in your mix. They include index and buy-and-hold equity funds that trade infrequently and generate few capital gains distributions.

77 DON'T BET ON HIGH INFLATION, JUST INSURE AGAINST IT

There are many forces keeping inflation low these days, such as a weak global economy. But if you have an expense you want to be certain you'll be able to meet at a future date, TIPS—special Treasuries that adjust their value with inflation—can be helpful. A five-year TIPS will keep your money safe and beat regular Treasuries if inflation tops just 1.54% a year over the bond's life.

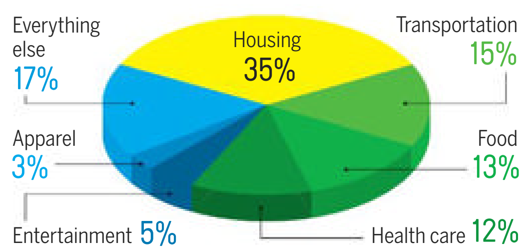
CHEAT

78. ASK A MILLENNIAL You can teach your kids a thing or two about finance. But they're probably better clued in to new tech that can save you money, if you know how to use it. For instance, drop pricey cable and try an Internet streaming service like Netflix ($8 a month) or SlingTV to get ESPN ($20 a month). Or save with even less hassle: Buy a $70 cable modem and stop paying an $8 monthly rental to the cable company.

79 DOWNSIZE THE HOUSE

According to the Center for Retirement Research, swapping a $250,000 house for a $150,000 one puts cash in your pocket and frees up $3,250 a year in taxes and upkeep.

SPENDING BY PEOPLE 65 AND UP



SOURCE: *Bureau of Labor Statistics*

85 SET SMART LIMITS WITH YOUR GROWNUP KIDS

According to a Merrill Lynch survey, 68% of affluent pre-retirees provide some support to a child over age 21. Nothing wrong with that—it's been a tough job market. Just don't let it be a drain on your retirement funds. Target some aid to helping them cultivate a career, such as paying for a course (see No. 10) or for moving expenses to relocate to a city with good jobs.

80 TAKE A FRESH LOOK AT A CLASSIC

You've now built up enough assets that advisers will be eager to sell you clever ideas to beat the market. Before you bite, read the 2015 edition of A Random Walk Down Wall Street. *Burton Malkiel has updated his skeptical investment guide to take on the latest new flavor, "smart" ETFs. If a fund has a greater return, says Malkiel, it's probably because it's taking on more risk.*

BONUS POINTS!

BET ON FINANCIALLY FIT GOVERNMENTS

Normally the stronger a government is, the less its bonds must shell out to attract investors. Not so with munis these days. AAA-rated 10-year municipal bonds yield 1.95%, a tad higher than 10-year Treasuries. Since munis are exempt from federal taxes, though, that's like a Treasury paying you 2.71%. Three ways to capitalize on them:

81. CORE BOND FUND T. Rowe Price Summit Municipal Intermediate (PRSMX) invests more than half its assets in bonds rated AA or higher. And it sports a duration of four years, vs. five for its peers. That means the fund is likely to fall less should rates rise.

82. SHORT-TERM FUND Fidelity Limited Term Municipal Income (FSTFX) keeps two-thirds of its assets in bonds rated AA or higher, and it has beaten more than 75% of its peers over the past decade.

83. HIGH-YIELD FUND SPDR Nuveen S&P High Yield Muni Bond ETF (HYMB) invests in low-quality debt, including Puerto Rico bonds. But it's diversified, holding nearly 500 securities. And the fund, which yields 4.3%, has beaten 99% of its peers over the past three years.

AGE CHECK: BY 50

84. CELEBRATE THE BIG FIVE-0. In the year you turn 50, you get a gift from Uncle Sam: The ability to make catch-up contributions to your tax-sheltered retirement plans. In 2015 you can toss in an extra $6,000 to your 401(k), above and beyond the normal $18,000 limit. With a 6% annual return, you could retire at 65 with an extra $180,000.

COLLEGE BILLS

86 GET A BETTER PAYOFF You and your child will have an easier time paying back college costs if Junior attends a school with the right combo of affordability and postgraduation earning power. See our Best Colleges list at money.com/colleges.

87 PICK THE RIGHT PUBLIC State U. may have low tuition, but it's a bargain only if your child can schedule the classes and get the support to graduate on time. For a list of public colleges with the fastest time to a BA, see money.us/quickerba.

88 USE YOUR UPPER HAND With college enrollment falling, many schools have to fight to lure students. Smaller private colleges, especially in the middle of the country, may offer a better shot at getting sweeter deals, says Lynn O'Shaughnessy, author of the College Solution blog.

89 WANT TO RETIRE EARLY? FACTOR IN BETTER HEALTH

Ending your career well before you turn 65 requires extra preparation, for a pretty obvious reason: You have more years to fund. Another challenge, though, is that you'll probably be in excellent health and active for more of that time. That's also why you'd like to do it, of course, but it means that you are likely to spend more. Younger retirement-age people spend 36% more than those 75 and over, according to Census data. Plan for the extra spending with a more ambitious savings goal. Deciding whether to retire early now? Add a generous allowance for the cost of your travel plans and hobbies to your regular budget—the retirement-expenses worksheet at Vanguard.com is a helpful tool—and make sure it all still fits with a safe spending plan. (See No. 90, on the next page.)

90. DON'T EAT THE SEED CORN

2.9%

Estimated "safe" withdrawal rate for a new retiree

Common advice for retirees is to withdraw 4% of savings in year one and then adjust for inflation. But due to low yields, says economist Wade Pfau, that's too aggressive now. A 2.9% withdrawal gives you a 90% chance of a 50% stock/50% bond portfolio lasting 30 years. If that seems low, start higher, but protect your capital by spending less in bad market years.

91 HEDGE AGAINST LONGEVITY

An immediate annuity is insurance against outliving your money. Pay a lump sum and you get a fixed payout for life. You can buy one with just part of your savings each year, letting your other money grow. • **92.** As you shift into annuities, you can hold a greater share of the rest of your portfolio in equities, says Mark Warshawsky of ReLIAS, which designs retirement-income strategies. With more safe income locked in, you're better able to handle the stock market's volatility.

HEDGE AGAINST INTEREST RATE RISKS

Build a classic income ladder by putting equal amounts of money in debt maturing at various intervals. As your securities mature, reinvest the cash at the long end of your ladder.

93. CASH Buy Synchrony Bank CDs maturing in three, six, nine, 12, and 18 months (average yield: 0.72%). If the Fed raises rates this summer, you'll boost that immediately.

94. TREASURIES You can ladder government notes maturing in two, three, five, seven, and 10 years—with no transaction or account maintenance fees—at TreasuryDirect.gov.

95. ETFs A new breed of "target maturity" bond ETF holds debt that comes due at the same time. So now you can ladder funds. Guggenheim runs corporate bond ETFs maturing annually from 2015 to 2024 and junk funds from 2015 to 2022. BlackRock's iShares offers muni ETFs maturing from 2015 to 2020 and corporates from 2016 to 2025.

AGE CHECK: BY 55

96. HAVE A PLAN B
These are crucial savings years, but perilous careerwise. On average, unemployed Americans 55 to 64 have been jobless for 11 months. So lay the groundwork for a backup plan—whether it's a short-term project, freelancing, or a business idea.

97

WRITE A BETTER BUCKET LIST Research has long shown that people get more-lasting happiness from spending on experiences rather than on things. A twist from a 2014 *Journal of Consumer Research* study: As you age, "ordinary" happy experiences become more rewarding. Budget for more dinners with friends, fewer splashy trips.

98

AVOID TAXES In retirement, there may be years when you fall into the 15% bracket ($74,900 taxable income for couples). Take advantage by selling your long-standing holdings with big gains. Why? The long-term capital gains rate for those in the 15% bracket or below is 0%. That's right: *nada.*

RESET **99. RETHINK YOUR TARGET** If you're close to retirement but don't like the look of your balance, take heart. Most retirement advice and online calculators assume you are going to spend the same amount, adjusted for inflation, each year after you stop working. In reality, spending tends to decrease as you move through retirement, according to David Blanchett of Morningstar Investment Management. When working out your retirement budget, make a distinction between fixed, essential costs and those you may have more flexibility with.

100 MAXIMIZE SOCIAL SECURITY

What if you could earn 8% a year on your money risk-free, and all you'd have to do is be patient? Well, there is such a thing: Social Security. A person who would get $24,000 a year tapping his benefit at 62 can expect that sum to swell to $42,000 by waiting until 70. As columnist Philip Moeller observes on page 36, that looks even better when you consider that the payment lasts even if you live a long, long time.

101 TAKE SOME PROFITS

You spend a lifetime building wealth, yet success and failure can come down to a handful of years—those just prior to and after you stop collecting a paycheck. The odds say that given how long retirement is, you should keep the bulk of your portfolio in equities. Yet you don't get to play out thousands of scenarios. You get only one try. Dial down equities to half or less as you near this danger zone. You can always take on more risk after, when the stakes are smaller.

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HOW TO PLAY

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Home equity is up and interest rates are still low. Foreclosures are down—and so are bidding wars. For the first time in years, the boom-and-bust housing market may be finding its sweet spot, with good deals for buyers and sellers. Is it time to jump in?

BY SARAH MAX WITH DANIEL BORTZ + PHOTOGRAPHS BY DAN SAELINGER

GHT *market*

Too hot, too cold, too hot. For more than a decade the housing market has been nowhere near its Goldilocks moment, a just-right rate of growth that offers opportunities for both buyers and sellers. By certain markers, we're finally starting to get there: Home prices nationwide are expected to rise 4.9% on average this year, according to the National Association of Realtors (NAR). That's closer than we've been in a while to the long-term average of 3.3%—and a lot more manageable than either the sharp drops of the bust years or the 12% spike we saw in 2013.

What's more, inventory is expected to loosen up, with 1.9 million units on the market this year—far below the flooded supply of 4 million we saw in 2008. The number of homes that were "flipped" (bought for a quick-sale investment) has dropped for the second year in a row, while the foreclosure rate is less than half what it was two years ago. Those are healthy signs for everyone (except, perhaps, for the small army of TV shows obsessed with renovating and flipping).

Can the center hold? The big question now is whether this manageable growth is sustainable in the long term. Economists such as Moody's Analytics' Mark Zandi note that we certainly need more first-time homebuyers in the mix to make that happen, because they drive a good piece of demand, allowing current homeowners to trade up—or cash in. In 2014 the percentage of rookie homebuyers on the market hit its lowest level in decades, just 33% of sales, vs. 40% historically. That said, a new report from BMO Harris Bank finds that 74% of Americans 18 to 34 plan to buy a new home in the next five years, and they are budgeting $240,000 to make the sale, a 24% increase over just last year.

On the other end of the spectrum, experts warn that prices in some markets have already pushed past the bubbling-over peaks, according to RealtyTrac. In San Francisco the median price for a house in December 2014 was $1 million, up 18% from the peak during the bubble. Prices in New York City (median house: $935,000) are 15% above the peak. It's not just the coasts either. Prices around Austin are 8.6% higher than they were during the mid-2000s. "What we've seen so far," says Zillow's chief economist, Stan Humphries, "is still a long way from normal."

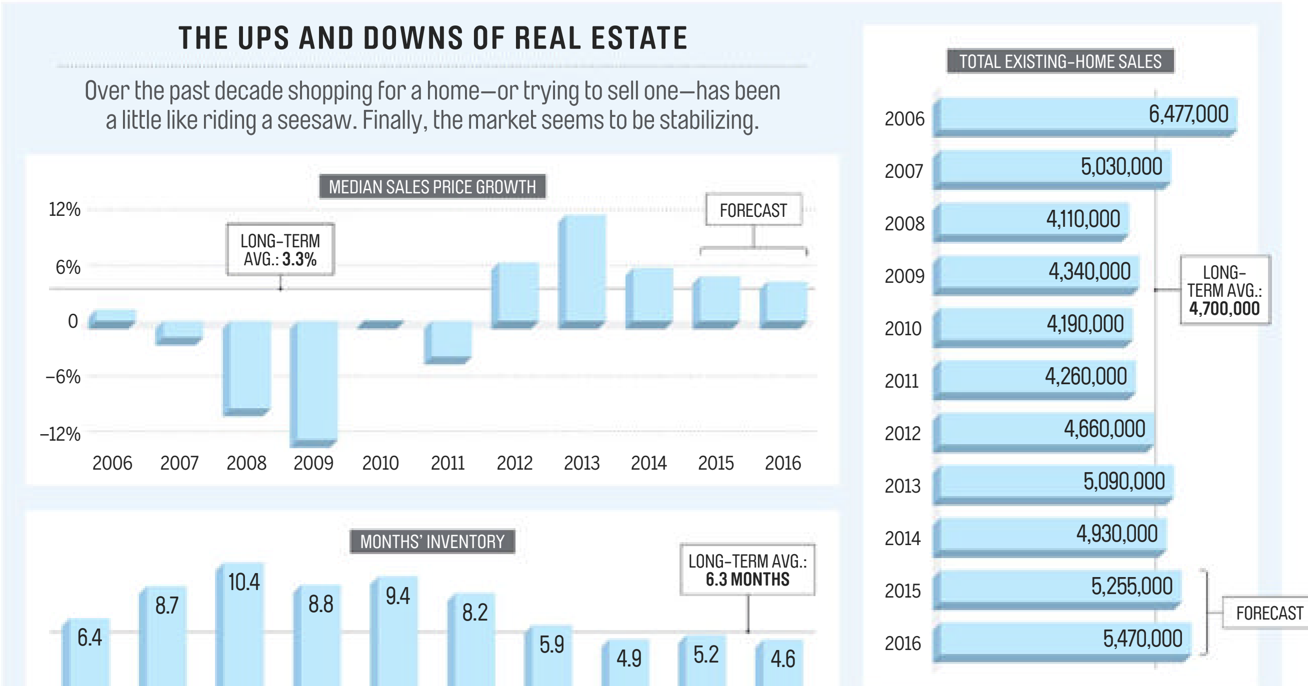
What does it all mean for you? If you're a buyer, you don't have to worry as much today about being priced out in a bidding war or by all-cash offers. Sellers who didn't have enough equity in their homes just a few years ago to justify a move could find themselves in a much better position now. And renovators can still get low rates on home-equity loans and lines of credit. In short: If you've been sitting on the sidelines, this may be the time to act—or at least to do some serious number crunching. While you're doing that, try these tips to help you plot your next move.

If you're in the market to buy…

The good news: There are a lot more homes to choose from. In addition to the additional properties already on the market, Zillow's Humphries is forecasting an increase in houses and condos for sale this year as builders pick up the pace and more homeowners cash in on their rising equity. As prices have risen from the depths of the recession—the median sales price hit bottom in 2012, at an average home price of $152,000—the flippers have started to flee, which has helped the overall market stabilize. "Home prices have risen to the point where, in many markets, houses don't make sense for investors," says Daren Blomquist, vice president of RealtyTrac, noting that cash buyers dipped to 30%, the lowest in four years. "That helps level the playing field for regular buyers."

Then there's that other important factor: interest rates. Despite prognostications that they could tick up by summer, the 30-year fixed rate—recently at 3.7%—"is still within shouting

PROP STYLING BY DOMINIQUE BAYNES



NOTES: *On existing-home sales, numbers are seasonally adjusted. Long-term average is since 1989; 2015 and 2016 are forecasts. On months' inventory, long-term average is since 1999. And 2015 is first two months of the year.* ***SOURCE:*** *National Association of Realtors*

distance of 60-year lows," says Keith Gumbinger, vice president of HSH, a mortgage information provider.

YOUR ACTION PLAN

Start hunting. Sure, you've been hearing for years that interest rates would shoot up soon. This time you can believe it—Federal Reserve chairman Janet Yellen signaled as much in her most recent Federal Open Market Committee statement. The NAR is forecasting that the 30-year fixed-rate mortgage will average 4.3% in the third quarter of this year, 4.7% in the fourth, and 5.3% over all of 2016. On a $300,000 loan, the difference between 3.7% and 5.3% would be $285 a month (a payment of $1,381 vs. $1,666) and $102,600 over the life of the loan.

Those rates could go even higher if Europe's economy starts to recover, warns Sam Khater, deputy chief economist for CoreLogic. One reason that American mortgage rates have stayed so low is that in recent years global investors have poured money into the relative safety of U.S. Treasuries, a main factor influencing the price of mortgages. If money starts flowing back out to the rest of the world, domestic rates will inch up.

Home prices have been heading up as well. Not as fast as in the bubble years, of course, but some areas have already seen double-digit growth. "Until recently the fastest-growing markets were those hit hardest," says Khater. "Today the fastest growing are those with healthy economies." With the economy on the upswing, there are a lot more of those now too.

Go fixed-rate, not flex. Adjustable-rate loans may look irresistibly low now—around a 3% average for a five-year and as low as 2.5% for borrowers with credit scores of 760 and higher. But you're likely to end up paying significantly more at the reset date with rates heading upward. "It's hard to argue against a fixed-rate loan," Gumbinger says. The exception: Buyers who plan to stay in the home for less than 10 years may benefit from the low ARM rates in the fixed period.

Right-size your down payment. If you're looking in a highly competitive market, offer to put down more than the standard 20% if you can afford it. That gives the seller the extra reassurance that if the house appraises for less than the asking price, you'll still be able to secure a mortgage. Signs that market conditions warrant sweetening the down payment: if houses where you're looking are going to contract within a matter of days or if they are routinely selling for more than the asking price.

Find a savvy broker. Buyers have so much more information at their fingertips: comparable sales, school district reports, walkability, and more. But don't underestimate the kind of advice you'd get from a broker. A buyer's agent will have on-the-ground knowledge of market trends and be able to identify unseen circumstances that affect a property's price, anything from a cracked foundation or a dead boiler to whether there's been a recent school redistricting or a zoning change in the area. She might also have access to "pocket" listings that don't make it online because the privacy-minded sellers don't want their home flooded with prospective buyers.

Take a little time. Sure, you want to keep an eye on the prospect of rising interest rates. But in a balanced market with steadily rising inventory, don't feel pressure to jump at the first house you like, says Craig Reger, a broker in Portland, Ore. Visit a good number of open houses (at least five) to get a sense of what's out there, and go shopping with your agent. You'll start to learn if a property is over- or underpriced and why.

The rules are a little different if you're looking at new construction, because builders don't negotiate on price very often. "They tend to sell at 100% of their list price because that's their comparable for the next house," says Jacquie Sebulsky, a broker with Cascade Sotheby's International in Bend, Ore. That said, if you buy in the early stages of construction (when the developer knows you'll have to live through months of noise, dust, and other hassles), you may be able to ask for help later with closing costs, upgrades, and additional amenities, such as appliances, in lieu of a price cut.

5.3%

The average 30-year fixed mortgage in 2016, as forecast by the National Association of Realtors. (Today's rate is 3.7 %)

Remember that money isn't (always) everything. Even in a market where inventory is tight and sellers aren't negotiating much, you still have some leverage. That starts with minimizing the seller's potential headaches. If you have attractive financing—a preapproved loan from a reliable lender or a large down payment—say so. If you can close on the seller's schedule—whether that means quickly or letting him stay an extra month—do it.

And don't be shy about plucking a few heartstrings. It never hurts to write a letter explaining what the house means to you. "A lot of sellers don't want to sell to investors," says Tim Lenihan, a broker in Seattle. "Hokey as it sounds, it can help you get your foot in the door."

If you're thinking about selling…

If you haven't sold a house in the past decade, brace yourself. Today's buyers are demanding. They're savvier about market dynamics and data and want to see houses on their own schedule, says Redfin's chief economist, Nela Richardson. "We're finding that buyers want access to your house when it works for them," she says. "They don't want to wait for the open house." Baking cookies won't cut it anymore.

Some things in your favor: Low interest rates are your friend too. Buyers know that the rock-bottom mortgages can't last forever. If interest rates start to tick up this summer as predicted, there could well be a rush to buy. On the other hand, if rates go up too far, that will almost certainly dampen prices. "As a buyer's monthly payment goes up with rising rates, something's got to give—and that's likely your home price," says HSH's Gumbinger. In other words, sellers: If you snooze, you may well lose.

YOUR ACTION PLAN

Sell first, then buy. The dilemma most sellers face is whether to buy a new place at the same time. In general, it's smarter to sell before you buy—there's nothing worse than having to carry two mortgages at once. You may be able to rent your house from the buyer for a few months, or at least find a short-term rental elsewhere. The one thing you don't want to do is try to buy a new place with the contingency that you have to sell your old place first. Nothing kills a deal faster, especially if you're up against other bidders.

Don't just list your home—market it. Gorgeous photographs, video walkthroughs, perfect floor plans—buyers want it all. You need an agent who can develop a full-blown marketing plan, including social media. "People are doing so much more research ahead of time, going through listings online, and weeding out properties before they see them," says Benjamin Beaver, an agent with Coldwell Banker in San Angelo,

Texas. That's especially true of millennial first-time buyers, who have grown up with information on demand.

And a top-flight agent can help pay for himself. Redfin found that listings with photos taken by a professional got 61% more views, and homes listed between $200,000 and $1 million sold for $3,400 to $11,200 more than similarly priced homes. A video tour including views of the neighborhood (parks, restaurants, main street) is another great tool. "If your photos capture an interested buyer, the video can help boost their interest," says Rae Wayne, a real estate agent in Los Angeles. Plus, a video can help drive additional traffic to your listing.

Negotiate with your agent. Bernice Ross, the CEO of RealEstateCoach.com, has a brilliant method for testing a potential agent's bargaining skills: Ask her for a reduction in her commission—and then think twice about hiring her if she agrees. "If they can't negotiate a full commission on their own behalf, how are they going to negotiate the best price for you?" she says.

Don't "test" the market. Pricing right is an art these days. The last thing you want to do is accidentally list too high out of the gate. Not only does it require cutting the price—in many cases to less than the estimated value—but it also means more time on the market. "It's not like the old days where you put in a 10% buffer," says Sebulsky. "People are savvier, and many agents won't even show a house if it's overpriced." According to *Zillow Talk: The New Rules of Real Estate,* a house that is priced right will sell in about half the time of one that is overpriced.

Another reason to price right: traffic. In the first week a listing goes on the market, it gets four times as many visits as a month later, Redfin found. Moreover, if you do end up dropping your price, says Richardson, it sends a signal to buyers that you'll come down more. "One agent described it to me as 'blood in the water,'" she says.

To help you arrive at a price, your agent should show you up to 10 comparable active, pending, and recently sold (in the past three months) listings and sales. The most recently sold and the ones that are pending are the best; six or even four months ago may not reflect today's market, says Brendon DeSimone, a broker in New York City

and the author of *Next Generation Real Estate*. Automatic valuation tools, such as from Zillow and Trulia, are definitely great sources of intelligence. They'll show you how quickly houses are selling in your market, how close they are going to asking price, and more. But data can tell buyers only so much. "The computer can't see the inside of the house," says Ross, "and it can't see if your house has a view."

Go green. With homes selling at a healthy pace, you probably don't need to make any major pre-sale upgrades. One that does pay off: the front lawn. A 2012 Texas A&M survey found that curb appeal increases sales prices by up to 17%. "Green grass is huge, whether that means new sod or just fertilizer and lots of water," says Wayne. Sustainability and low maintenance are the top trends for residential landscape projects, according to the 2015 Residential Landscape Architecture Trends Survey, so you might add simple native plants. You don't have to spend a lot. See what's on sale at Home Depot. It only has to be green, not gorgeous.

Fix what's broken. Paul Reid, a Redfin agent in Southern California, recommends getting a home inspection and fixing any problems before you list the house, despite the out-of-pocket costs. "First-time homebuyers in particular don't want to come in and do a ton of work," he says. "They're making a huge financial commitment and don't want a money pit. I've seen it time and again where a buyer will get in escrow, have the inspection, and back out because the list is overwhelming."

Go clean. Ten years ago it was mostly upper-end sellers (and maybe desperate ones) who went to the trouble to "stage" their home. Now, the idea that you need to clean out your closets, clear off the counters, take down your photos, and pare down the furniture and accessories is Real Estate 101. That said, you don't need to hire anyone (though you may need to find someplace to store all your junk). Two areas not to forget: the entrance (that expression about not getting a second chance to make a good first impression is true) and the bathrooms. "I like to say that big, fluffy, white towels can add $10,000 to the price of a house," says Sebulsky.

Give yourself a deadline. It's true that houses tend to sell faster in spring and summer (in large part because families want to be settled before the new school year begins). And if your home is still sitting come Labor Day, think twice about keeping it on the market into the fall. "By then a lot of people have made their choices, and if your house has been on the market for six months, people automatically assume something is wrong," says Sebulsky. Every market is different, of course, but winter may actually be a better option. There's less competition from other sellers, as well as some pent-up demand after the holidays. Bonus: Anyone trudging through open houses during the winter "tends to be pretty serious about finding a house," Sebulsky says.

70%

The amount you'll recoup, on average, from a full-scale bathroom remodeling job

If you're staying where you are...

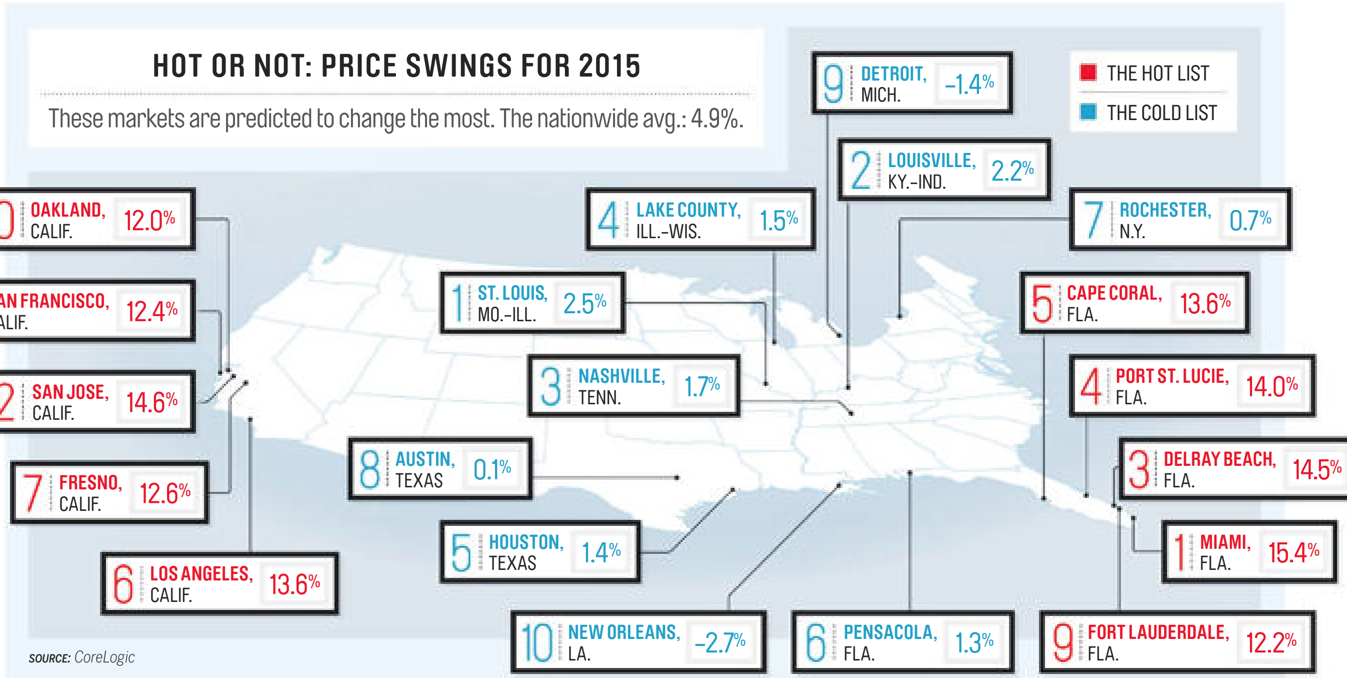
It's always nice to remember that the value of your house should climb while you're enjoying it—and at a great mortgage rate (assuming you take the advice below about refinancing!). If you're at the love-it rather than list-it stage of your life, remodeling may be a good option. Nationwide, 57% of homeowners surveyed recently by SunTrust said they planned to spend money on home-improvement projects this year. But be warned: The competition for contractors in many markets is fierce. You may have to wait your turn in line.

YOUR ACTION PLAN

Hit the refi table. According to CoreLogic, roughly 30% of all primary mortgages still carry an interest rate of 5% or higher—even though the average fixed rate today is 1.3 points lower. If you took out a $300,000 loan in mid-2009, say, and refinanced the roughly $270,000 balance at today's rates, you'd cut your payments by about $370 a month.

You might consider making a few other changes. First, don't assume that your current lender will offer you the best deal this time around—different lenders are marketing different kinds of loans.

You might also want to switch to a 15-year fixed-rate mortgage, especially if you are a decade or so from retirement and looking ahead to reducing your debt. You'll pay more each month: about $170 more than the current payment on the $300,000 30-year mortgage



at 5% cited previously. But you'd retire the loan nearly a decade sooner and save tens of thousands in interest.

There's a good reason some homeowners haven't refinanced at all: They couldn't. In 2012 about a quarter of homeowners owed more on their homes than the houses were worth. Thanks to rising property values, that's changing. Today only 11% of owners have negative equity, according to CoreLogic.

If you're one of them, you may still be able to refinance, perhaps without having to bring cash to the table. Borrowers with FHA and Veterans Administration loans are eligible for "streamlined" refinancing, which looks at payment history rather than equity. For borrowers with conventional mortgages, the Home Affordable Refinance Program (HARP) is still available and has undergone some improvements since it was introduced in 2009. If you were turned down before, it's worth another shot, says Gumbinger.

Get the right renovation financing. For a project that requires a one-time loan and at a fairly predictable cost—say, a bathroom—you may want to consider a home-equity loan, says HSH's Gumbinger. The 5.9% rate isn't all that favorable, but you have the security of its being fixed. For a larger project in which you'll need ongoing access to funds, a home-equity line of credit can be a better option since it operates like a credit card. HELOCs are now ringing in at 4.8%. The downside is that the rate is variable, so if you won't be able to pay the debt off in two years, it might not be your smartest choice.

Think about the next owner. According to a 2014 survey by Houzz, 53% of homeowners who are remodeling say they are hoping to increase their home's value. Yet most upgrades won't help your resale. The most common remodeling projects are kitchens and bathrooms—9.5% and 7.7% of all upgrades, according to Harvard's Joint Center for Housing Studies. But according to *Remodeling* magazine's 2015 Cost vs. Value report, you'll recoup only 70% of costs on a bathroom remodel, 59% on a bathroom addition, 68% on a major kitchen remodel, and 79% on a minor kitchen. (The only project that recoups more than its cost: installing a steel front door, which runs from $500 to $750.) That doesn't mean you shouldn't renovate; just know that you're not going to get back all of what you put in.

No matter what project you choose, consider adding improvements to appeal to aging baby boomers. According to the Joint Center for Housing Studies, just over half of existing homes have more than one of five key features for aging in place. Notably, only 8% have wide doorways and hallways or levered door and faucet handles. (For more on this, see "Make Your House a Home to Last" on page 38.) Those could become huge selling points. Just think: Those renovated doors could provide the perfect entrée to your next great home. ■

"WHETHER YOU USE A PIGGY BANK OR MINT OR AN EXCEL SPREADSHEET, FIND A WAY TO MAKE THE SAVINGS PROCESS YOUR OWN."

SEAN STARLING
Morehouse College
class of 2013

THE NEW GRAD'S GUIDE TO *Money*

THE NEW GRAD'S GUIDE TO MONEY

Photographs by DUSTIN AKSLAND

By KAREN CHENEY *with* JACKIE ZIMMERMANN

SO LONG, COLLEGE! HELLO, ADULT LIFE! *Here's a quick and painless lesson* IN REAL-WORLD FINANCES *for the class of 2015.* FOLLOW THIS HANDY OUTLINE AND SET *a course for success.*

Graduates of the class of 2015, it's time to further your education. Yes, you just spent four years amassing a crazy amount of knowledge. But despite all you've learned, you possibly still have an incomplete in one subject: money. Suddenly you're at a financial turning point, facing challenges like finding a place to live and starting a new job. At the same time, your college friends have scattered across the country, the clock is ticking on your student loan grace period, and you are feeling broke, really broke.

Don't worry. The basic money skills you need to get on your feet are easy to master. And by doing so right out of the college gates, you'll have more opportunities off in the future—and greater peace of mind right away. So, drawing from the advice of recent graduates and experts familiar with your challenge, MONEY offers you this cheat sheet for launching your post-college financial life.

BUDGETING

TECHNOLOGY IS YOUR FRIEND

Remember life before college? Seasonal wardrobe updates, lots of dinners out, new cellphones on a regular basis? Well, Mom and Dad worked a good 20 years or so before they could afford that lifestyle, so don't expect to carry on as you did when you lived at home.

If you play it right, though, you can enjoy a taste of what's important to you, with enough left over to start building a cushier future.

The plan: Automate. Direct deposit and auto-deduction make it easy to set aside money before you can spend it. To make sure you have enough for large, regular monthly outlays like rent, savings, and student loans—more about those expenses later—set up your paycheck for split deposits. Put money for big necessities in one account, cash for everything else in another.

Then it's just a question of making those remaining funds last until your next paycheck. To do that, you don't need a life of self-denial; just think about spending in terms of tradeoffs:

CREDIT CARDS

HANDLE WITH CARE

Credit cards are great—in moderation. They're useful as backup in emergencies, and paying on time helps build your

PREVIOUS SPREAD: WARDROBE STYLING AND GROOMING BY BRANDON BRANSFORD

Would I rather buy *x* now or *y* later?

For Elizabeth Bybordi, 25, who moved to Manhattan in 2012 after graduating from the University of Central Florida, that has meant packing her lunch for work on weekdays so that she can meet friends for brunch on Sunday. “What’s the point of living in New York City when you’re young,” she asks, “if you can’t enjoy it?”

Handy tool: The Mint app (see box at right) tracks your cash and can build a budget from your past spending.

One grad’s story: When Sean Starling, a 2013 Morehouse College graduate, started his first job out of school, he thought he was set. “I was like, ‘I’m making money now, and I can spend whatever I want,’” says Starling, 25. Repeatedly running out of cash—and failing to save enough—changed his mind. He used Mint to track his spending, then moved to Excel for more detail. With his budget now under control, Starling, a cost analyst, is repaying student debt and saving up for his September wedding. “Whether you use a piggy bank or Mint or an Excel spreadsheet,” he says, “find a way to make the savings process your own.”

MONEY APPS THAT WILL PAY OFF

These three smartphone apps and this one website will help you get your postgrad finances in order.

> MINT: Track all your money and spending in real time with this one-stop app. Cool feature: You can see how your spending compares with that of other people in your area.

> TUITION.IO: Manage all your student loans with this website. Compare payment plans and calculate how quickly you can pay off your loans under different scenarios.

> READYFORZERO: Got debt on multiple credit cards? This app will give you a customized plan for paying it off.

> SPLITWISE: You and your roommates can use this to keep a running total of who owes how much for what—groceries, Internet service, or anything else. It will even split your rent based on the size of each person’s room.

credit score—good for lower rates on future home and car loans. (Employers and landlords also use your score to gauge your reliability.) The downside: Plastic makes it easy to spend money you don’t have, at a high cost.

THE PLAN: Get a card—just one—and use it sparingly. (Starling reserves his card for emergencies and online purchases.) Activate text alerts in your account for upcoming bills. To help your score, pay on time and keep charges to one-fourth of your credit limit. And pay each month’s bill in full; if your card charges interest of, say, 20%, keeping a balance for a year means that every $100 you spend will cost you an extra $20.

HANDY TOOL: MONEY’s credit card guide (money.com/bestcreditcards) points you to the best available cash-back credit cards—good if you pay your full bill each month—and the best card for first-time card users.

HOUSING

SHARE AND SAVE

Most likely, you’ll share your first home post-college with a roommate or two. And there’s a good chance their names will be Mom and Dad. Whomever you’re living with, make it a time for saving money.

The plan: Moving out of your childhood home? Aim to spend no more than one-quarter of your income on rent, advises Ben Barzideh, a financial planner with Piershale Financial Group in Crystal Lake, Ill.

Moving back in with the folks? Be sure to wash your dishes. But you’ll really warm their hearts if you take advantage of your rent-free digs and set aside at least 25% of your salary—the money you might have paid for rent—to start a getaway fund.

Handy tools: Splitwise makes it easy for roommates to figure out who owes whom for different housing expenses. “It’s super-fast and streamlined,” says Zach Feldman, a 24-year-old New York University graduate living in Brooklyn. “It takes maybe 10 minutes out of the month to get my bills done.” The Venmo payment app makes it simple to settle up and verify that everyone has paid up.

One grad’s story: Kristine Nicolaysen-Dowhan, 24, moved in with her mom and stepdad in Grosse Ile, Mich., after graduating from the University of Michigan in 2012. Her first paycheck went toward clothes for work; her second paid off debt. Within four months Dowhan was saving a whopping 75% of her salary. “The rest I just had as fun money,” she says.

STUDENT LOANS

PICK A PLAN

You can't wriggle out of repaying student debt, but you can choose how you pay. Instead of a standard 10-year plan, you have other options: lower initial payments or more time to repay, in return for higher interest costs. You have six months after graduation to choose a plan (which you can change later).

THE PLAN: Run numbers to see what you can manage. On the average federal loan balance of $27,000 for a four-year public college, you'd pay $272 monthly under the standard plan; under another one that bases payments on your income, a person making $35,000 would begin paying just $146 but owe $3,100 more in total interest. Automatically deduct payments from your bank account; paying on time helps your credit score. At tax time, deduct your interest payments, up to $2,500, on your return (the deduction is phased out for singles making more than $80,000). Tax savings: up to $625.

HANDY TOOLS: Get a list of your federal loans at nslds.ed.gov. Use the government's Repayment Estimator (money.us/loanplans) to ballpark payments under different plans.

YOUR JOB

DON'T SAY YES SO SOON

Relax. Based on horror stories of recent years, maybe you've decided you're lucky to get a job, any job, at any salary. But you may have more bargaining power than you think. In the best market for new grads since the financial crisis, nearly two-thirds of employers—an all-time high—plan to raise starting salaries over last year, reports the National Association of Colleges and Employers.

That positions you well for a salary negotiation, which can pay big dividends over time. A bump in pay of $5,000 by the time you're 25 years old translates into a $634,000 boost in lifetime earnings, according to a study out of Temple and George Mason universities.

THE PLAN: Don't accept an offer right away. Salary.com says 84% of employers expect applicants to negotiate their salary. And compensation data provider PayScale found that 75% of workers asking for more money got at least some of their request.

When you do ask, tie your case (politely) to other offers you may have or to experience you bring—say, a previous internship—that will help you hit the ground running.

HANDY TOOLS: PayScale, Salary.com, and Glassdoor will give you a realistic sense of salary ranges, taking into account factors such as company size and location.

ONE GRAD'S STORY: When Kirk Leonard, 24, a 2013 graduate of Lamar University in Beaumont, Texas, was offered a job as an office manager at a local dialysis facility, he laid out the case for his future boss as to why he deserved higher pay: Having worked for the company before, he knew its operations. And he could start right away—saving the company the time and hassle of a job search. The payoff: a salary 10% higher than the original offer.

HEALTH INSURANCE

GET COVERED

Another reason to worry less this year: Thanks to Obamacare, it's easier and cheaper than ever to get health insurance to cover major medical expenses. Any plan you sign up for should include a free annual checkup and access to prescriptions for birth control.

The plan: The cheapest route is probably to stay on (or return to) a parent's plan—open to you until you turn 26. You may not want to, though, if you live far from your parents; finding in-network doctors and hospitals might be difficult, says Carrie McLean of eHealth.com.

Insured through work? Since being young means you're (probably) healthy, you might pick the company plan you're offered with the lowest upfront cost and highest deductible (the amount you pay before insurance starts kicking in). But, warns Karen Pollitz of the Kaiser Family Foundation, be sure you can quickly scare up the deductible, which can be as much as $6,600 this year; a broken leg, for example, can easily cost thousands.

On your own? Hit the government exchange. Plan labels range from Bronze to Platinum, based on premiums and out-of-pocket contributions. You're likely eligible for subsidies if you make less than $46,680 in 2015. The silver plan is a good pick, since a break on out-of-pocket costs (if you earn less than $29,175 this year) is available only with that choice.

Handy tools: To buy through the government exchange, start at healthcare.gov/lower-cost and see if you qualify for discounts. Making less than $16,105 this year? Check the map at kff.org/medicaid to see if your state offers a free plan.

WARDROBE STYLING BY STEPHANIE POTTS; GROOMING BY GLYSTA NUCULAJ

"DON'T BE EMBARRASSED TO LIVE WITH YOUR PARENTS."

KRISTINE NICOLAYSEN-DOWHAN
University of Michigan class of 2012
Pictured with her mother and stepfather, Monica and Dave Dowhan

EMERGENCIES

STASH A LITTLE CASH

Stuff happens—stuff that costs money. Your car might break down…or a friend might invite you to his spur-of-the-moment Vegas wedding. Be ready without having to fall back on a credit card you can't pay off.

The plan: An emergency fund of about $1,000 is enough for you, says Barzideh. Set a little money aside from any graduation checks you might receive, and add $50 or so a month into a bank account—one that's separate from your day-to-day account, so you won't be tempted to raid it for everyday needs.

Handy tool: Keep your money in an online bank like Ally.com. There's no minimum balance or monthly fee; the interest rate is now 0.99%.

SAVINGS

GET RICHER NOW

You too can be a millionaire later in life. The earlier you start saving, the easier it is, and the more freedom you'll have later on. "You don't know what choices you'll be considering in 20 or 30 years, but you do want to have choices," says Brenda Cude, a professor of financial planning at the University of Georgia.

THE PLAN: The best place to save long term is in a 401(k) retirement savings plan, offered by employers of nearly 80% of workers. You aren't taxed on the money you put in that 401(k), and it grows tax-free over the years (you'll pay taxes on withdrawals). Most employers will match a portion of your contributions, typically 50¢ for every dollar on the first 6% of pay. Start small, putting aside $50 or $100 a month.

If you don't have a 401(k), you can put up to $5,500 this year in an individual retirement account called a Roth IRA, where your investments will grow tax-free. (You can open one up through any major fund company, such as Vanguard, Fidelity, or T. Rowe Price.) You get no upfront tax break, but you won't be taxed when you take money out. And that's good, since your tax rate will probably be higher later on than it is now.

Wherever you save, the best starter investment is a mutual fund called a target-date fund. It will give you, in a single investment, a package of stocks and bonds that's right for your age.

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Got all that, class of 2015? Sure you do. Compared with school, this money stuff is easy. Now go out there and be great.

+ BONUS GUIDANCE FOR GRADS +

For more good financial advice from recent college graduates, visit our gallery at money.com.

DO YOU REALLY NEED A LONG-TERM CARE PLAN?

[BY DAN KADLEC / ILLUSTRATION BY SHOUT]

A LENGTHY STAY IN A NURSING HOME COULD WIPE OUT YOUR SAVINGS, BUT COSTLY INSURANCE MAY NOT BE THE BEST WAY TO PROTECT YOURSELF. TO CUSHION THE BLOW OF AN EXPENSIVE HEALTH CRISIS LATE IN LIFE, TAKE THESE STEPS NOW.

W**HEN CRAIG AND JAN KLAAS**, both 60, decided to buy long-term-care insurance three years ago, they settled on a total benefit of $495,000, which would rise 3.5% a year for inflation. But the Rockford, Ill., couple reviewed their policy in January and found it lacking. Nursing-home costs in their town had risen faster than expected. So they boosted the benefit to $750,000 and bumped the inflation rider up to 5% to prevent a future shock. Now they are dealing with sticker shock: a $7,500-a-year price tag, up from $5,500. "I don't like paying the premiums," says Craig, a financial planner. "But I don't want to work and save for 40 years only to give half back to a long-term-care facility."

When even a financial professional struggles to get this decision right, you know that doing the math on long-term care is no easy chore. Millions of boomers are wondering how to prepare for the possibility of needing costly care some day.

Count me as one of them. At age 58, I am in the sweet spot for buying this coverage—assuming I want it at all. After weeks of research, I still haven't decided. But I have sorted out the moving parts. What I've found is that the rising cost of both care and the insurance that pays for it is only one piece of the puzzle. New types of insurance give me more options to mull over. And recent research calls into question how common lengthy nursing-home stays really are, leaving me to think harder about the odds of needing coverage.

What's more, I have to be concerned about the health of an industry that I would need to rely on for the next three decades. Insurers badly miscalculated how many policyholders would make claims, leading to a mass exodus of big players from the business in recent years.

The upshot: drastic price hikes from the insurers who remain. A typical long-term-care policy written 10 years ago has seen annual premiums rise about 70%, says Michael Kitces, director of research at Pinnacle Advisory Group. Even so, those old policies are cheaper by half than what a person nearing 70 has to pay for the same coverage today. That's because the insurers that have stayed in the business have jacked up the price of new policies. Those premiums rose an average of 8.6% last year alone, reports the American Association for Long-Term Care Insurance. For some, the price hikes are even worse. Today, for example, a healthy 55-year-old man would pay $2,075 a year for comprehensive single coverage—up 17% from last year.

All in all, the answer to the question Do you need long-term-care insurance? is a personal one—and far from easy.

THE PROMISE OF INSURANCE

Long-term care is something you hope you never need. Or at least you hope that when and if you aren't entirely

self-sufficient, your spouse or another family member can pitch in. But when you need more of a hand with daily activities than a lay helper can provide, or around-the-clock or more expert medical care becomes a must, you'll have to pay for a professional.

The high cost of help. The national average for a shared room in a nursing home is $77,380 a year, according to the Genworth 2014 Cost of Care Survey, but the tab can go much higher—$120,000 is typical in Massachusetts, for example. Even assisted living, where you get just some one-on-one help and basic medical care, averages $42,000 a year.

Medicare covers 100 days in a nursing home if you are recovering from an illness or injury and showing improvement, but it offers no help at assisted living or in your home. Medicaid picks up the tab for a nursing home and some in-home help only after you have all but exhausted your savings (in some states, the program helps with assisted living too).

How insurance fits in. Enter long-term-care insurance, which reimburses you for at least a portion of the cost of a nursing home, assisted-living facility, adult day care, or in-home help. To qualify for benefits, you must be unable to perform two of these six day-to-day activities—bathing, dressing, moving from bed to chair, using the toilet, eating, and maintaining continence—and a medical pro must expect your disability to last at least 90 days.

HOW TO DECIDE IF YOU'RE A CANDIDATE

You may figure you'll roll the dice and fund your care out of savings. In fact, sales of long-term-care policies fell by 24% in 2014 and are down 65% from 2004 levels, reports LIMRA, an insurance industry trade group. Just 13% of people 65 and older have a policy, according to estimates by Anthony Webb, a senior economist at the Center for Retirement Research at Boston College. Here's how to make the call.

Start with what you're worth. The rule of thumb is that you're a candidate to buy long-term-care insurance if you have between $200,000 and $2 million in assets. With less, you can't swing the premiums and don't have enough to protect. Medicaid will cover most of the costs of care after you whittle your savings down to as little as $2,000 if you're single. With $2 million, you can reasonably plan on paying your own way. But even in that doughnut hole, the answer isn't always clear.

Understand the true odds. You may have heard figures that make rolling the dice seem like a foolish bet. One frequently cited stat is that 70% of Americans who reach 65 will eventually need some sort of long-term care.

But a recent paper from the Center for Retirement Research paints a less alarming picture. As the graphic on page 78 shows, a high number of people will need nursing-home care at or after 65, but only a small portion will remain long enough to run up big bills. Half of men and 39% of women stay less than 90 days, before most long-term-care policies even kick in. The average stay for a man is less than a year; for a woman, a year and a half.

Previous studies had estimated that a long-term-care policy made financial sense for 30% to 40% of 65-year-olds. The CRR pegged that number around 20%. "We're getting more people going into care for a shorter period of time," says Webb. "That's what's driving down the value of insurance."

Ask yourself what you're insuring. At its root, long-term-care insurance is about protecting your estate. A desire to preserve a legacy for their three adult children is why Craig and Jan Klaas bought a soup-to-nuts policy. Last year Jan's mother died after eight years in a facility. Her father had spent two years in a nursing home. "I've seen people get wiped out," says Craig. "I do not want my estate at risk."

Without coverage, you'll still get care, funded by savings and Medicaid, if needed. But paying for it could deny your children an inheritance.

See if you even have a choice. Insurers have stepped up medical screening. Overall, 30% to 40% of applicants are turned down for health reasons, says Jesse Slome, director of the American Association for Long-Term Care. Your chances are better when

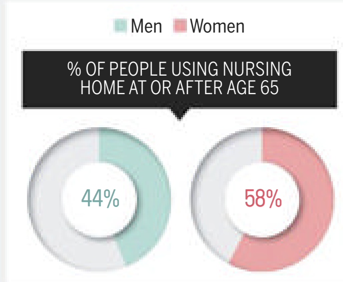
you're younger. Still, 17% of 50- to 59-year-olds are disqualified, up from 14% in 2009. Common reasons include chronic health problems like diabetes and arthritis, or any condition that can leave you incapacitated. A denial from one insurer, adds Slome, will often lead to automatic denials from others.

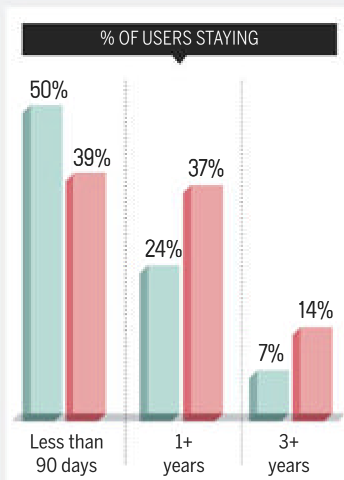
Check your family tree. It's not just your health that counts. Since last year, Genworth has also been considering your parents' health when you apply for a policy. With early-onset dementia or coronary artery disease in the family, you might not qualify for the best rate.

You should take your family history into consideration too. Half of all claims are triggered by care associated with dementia. On the other hand, says Howard Gleckman, senior fellow at the Urban Institute, a history of cancer may argue for less or no coverage because patients usually have a decent quality of life until just a few months from the end. That's a cold calculation, but one you shouldn't ignore.

PLAYING THE ODDS

The chance that you'll spend many years in a nursing home may be lower than once thought.





SOURCE: *"Long-Term Care: How Big a Risk?," Center for Retirement Research at Boston College*

HOW TO INSURE YOURSELF FOR LESS

Given high prices, one approach is to buy just enough coverage to provide a cushion. "We advise insuring for a core amount and planning on using other sources if that runs out," says Claude Thau, a long-term-care expert at Target Insurance Services in Overland Park, Kans. It's like the peace of mind you get from having a fixed annuity in retirement. You lock into enough income to cover your housing and utilities, say, and fund travel and entertainment with other savings. Even modest long-term-care insurance will cut down your out-of-pocket costs.

The cushion approach appeals to me. The Department of Health and Human Resources projects that the average 65-year-old will need three years of long-term care, but about two-thirds of that time will be spent at home, with the rest in either a nursing home or assisted-living facility.

I'm leaning toward insuring for that level of coverage, knowing that if my wife or I need more care, we have sufficient assets to pay our way. That would come out of our financial legacy. But so would excess premium payments over 30 years for coverage we didn't need. I'm comfortable with that tradeoff. Here's how to assess coverage for you and your family.

Keep long-term affordability in mind. These policies have been around for decades, but only in the past five years have buyers filed claims in big numbers—exposing an underwriting disaster. MetLife, Unum, and Prudential are among dozens of insurers that have quit the long-term-care business. Others, including industry leader Genworth, have absorbed huge losses and won state approval to boost premiums on older policies to stay afloat.

New policies incorporate more realistic assumptions—and prices reflect that. "These policies have gone up so dramatically it makes them hard to recommend," says Clarissa Hobson, a financial planner in Colorado Springs.

Can you be sure double-digit premium hikes are over? Long-term-care experts say the industry is on firmer actuarial footing. "By far, the worst is behind," Kitces says. Yet others are skeptical. "The baby boomers aren't even there yet," says Jane Gross, author of *A Bittersweet Season: Caring for Our Aging Parents—and Ourselves*. "What's going to happen when boomers start making claims?" Gross, 67, bought a policy in her fifties and began to regret it with the first premium hike.

Think hard about how much you need. When you shop for a policy, the variables include the daily benefit (often \$100 to \$200), how much the benefit goes up for inflation (3% or 5%), how long payments last, from a few years to no cap, and the so-called elimination period, or how long before insurance kicks in.

A 90- to 100-day elimination period is virtually standard (92% of policies). You can adjust the daily benefit to save, but since nursing-home costs vary widely, first check local prices to get a sense of what you might face.

Inflation protection is an important lever. For years experts recommended policies with benefits that grow 5% a year to keep pace with medical inflation, and to be safe most still do. But that option costs about two-thirds more than a 3% adjustment.

Going with 3% may be fine, says David Wolf, a long-term-care insurance planner in Spokane. The cost of in-home care and assisted living is rising less than 2% a year, he says. Nursing-home rates are going up 5% a year, but stays are shorter than they once were.

Note that while premiums are tax-deductible, the write-off is capped based on age ($1,430 in 2015 for ages 51 to 60). And they are deductible only to the extent that they, along with other medical expenses, exceed 10% of your income (7.5% if you're 65 or older).

Buy a little flexibility. Three years is the most popular benefit period. As a couple, odds are only one of you might spend more time in a nursing home. A shared benefit can help you insure against that financial catastrophe.

Rather than five years of coverage each, you buy 10 years to be split as needed—five and five, say, or two and eight. A 60-year-old couple can expect to pay about 15% more for a shared policy with six years of total benefits than for a joint policy with three years of benefits each, says Wolf, but in exchange you have a better shot at covering a single long stay in a facility.

Don't wait too long to shop. The average age of a buyer is now 57, down from 67 a dozen years ago, and it's easy to see why. Premiums go up modestly before age 55. The curve steepens after that, with the sharp turn at 65, when prices begin to rise about 8% a year, says the long-term-care association's Slome.

What's more, you are fast approaching an age when your health can lead to higher premiums, if it does not render you ineligible altogether. "By 65, almost everybody has some kind of medical condition," Slome says. Once you reach your sixties, the average denial rate jumps from 17% to 25%.

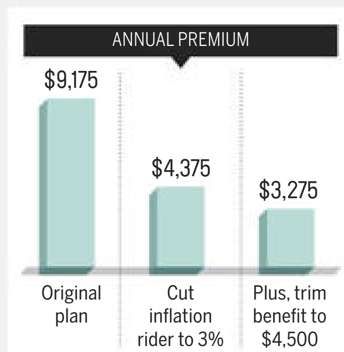
Gather multiple quotes. For the same coverage, the highest-cost policies can cost twice as much as the cheapest ones, Slome says. Go with a broker who sells coverage from at least five insurers and specializes in the field. Search for an agent at altci.org.

Know what it takes to collect. Stalling and claims denials sometimes command frightful headlines, but just 1% of denials are without merit, the federal government reports.

Still, make sure you know exactly when your claim will qualify. One common hang-up is home care. Especially with an old plan, your policy might require a licensed home health aide when all you need is less-skilled (and less costly) help with simple chores.

CUSHIONING THE COSTS

How much a couple in their fifties who are looking at 5% inflation protection and a $6,000 monthly benefit could save by scaling back.



NOTES: Assumes man is 55, woman is 52; 90-day elimination period; three-year benefit for each; no preferred health discount. SOURCE: Claude Thau, Target Insurance Services

THE ALTERNATIVES TO INSURANCE

If you decide against a traditional long-term-care policy—or are turned down—you have other insurance options. None provide as much coverage for care. But they have the advantage of guaranteeing you cash in old age or a legacy for your heirs.

How other policies can help. Hobson likes hybrid life insurance policies, which let you draw on the death benefit to pay for long-term care, or leave it to your heirs if none is needed. But the upfront cost is steep, and the premiums are not tax-deductible.

A deferred annuity is another option. For a single premium now, you lock in guaranteed income for life at age 82 or 85, which can go toward long-term care or anything else. Or if you can afford to self-insure and want to preserve money for your heirs, you can buy a whole life policy with a death benefit equal to your assets.

The bottom line (for one). I'll probably end up in a shared policy with six or eight years of care. My wife is younger than I am. She may be able to help me if that time comes. So I will need less coverage, leaving her with more, assuming she outlives me. And by then she can sell the house if need be.

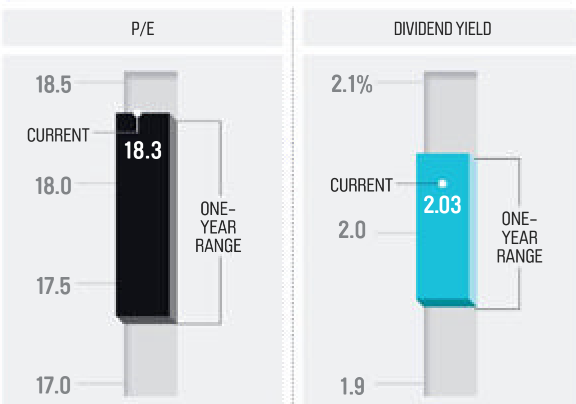
But I'm not quite sold on this either. If I invest at 8% the $7,500 a year I would spend on reasonably complete coverage, I could amass $343,214 in 20 years. That would be taxable and amount to less than half the benefit I'd enjoy with a long-term-care policy. But it would be mine no matter what. What I am sure of: I will keep weighing the options until we're settled on a plan. I won't leave either our care as we get older or our kids' inheritance to fate.

Additional reporting by Jackie Zimmermann

As Profits Go, So Goes the Market

EQUITIES WERE FLAT in the four weeks ended March 18, as the corporate earnings outlook slowed. Not surprisingly, the sectors with the fastest growth rates—health care, consumer discretionary, and financial stocks—did the best, while energy stocks, with declining profits, sank.

S&P 500 RATIOS



BENCHMARKS

INDEX	TOTAL RETURN ONE MONTH	ONE YEAR	THREE YEARS[1]
S&P 500	**0.2%**	14.5%	16.8%
Nasdaq[2]	**1.6**	15.0	17.7
Russell 2000	**2.1**	5.3	16.3
Morgan Stanley EAFE	**–0.3**	0.1	8.3
Dow Jones industrial average	**0.5**	13.3	13.8
Barclays U.S. aggregate bond index	**0.7**	5.4	3.2
SECTOR			
Health care	**3.9**	26.1	28.4
Consumer discretionary	**2.2**	16.4	21.7
Financials	**1.4**	13.5	18.3
Industrials	**–0.1**	12.0	17.1
Information technology	**–0.5**	19.9	14.9
Telecom services	**–0.9**	10.9	10.7
Utilities	**–1.8**	14.5	13.4
Consumer staples	**–2.0**	17.0	16.2
Basic materials	**–3.2**	6.8	12.4
Energy	**–5.0**	–9.1	2.8

NOTES AND SOURCES: Stock index data as of March 18 from Lipper, New York; 877-955-4773. Sector returns from Bloomberg. Bond index data from Barclays. Monthly S&P 500 ratios are as of March 19 from Standard & Poor's. P/E ratios are based on previous four quarters of operating earnings. Biggest funds ranked by total net assets. [1]Annualized. [2]Price change only.

BIGGEST MUTUAL FUNDS BY CATEGORY

CATEGORY	TOTAL RETURN ONE YEAR	THREE YEARS[1]	EXPENSES (AS % OF ASSETS)
LARGE-CAP STOCKS			
Fidelity Contrafund (FCNTX)	11.6%	16.6%	0.67
American Funds Growth Fund of America (AGTHX)	11.6	17.5	0.66
Dodge & Cox Stock (DODGX)	9.8	18.7	0.52
American Funds Investment Co. of America (AIVSX)	12.1	16.3	0.59
American Funds Wash. Mutual Investors (AWSHX)	12.1	16.0	0.60
MIDCAP			
Fidelity Low-Priced Stock (FLPSX)	9.4	15.6	0.82
Vanguard Mid-Cap Index (VIMAX)	14.6	18.0	0.09
Vanguard Extended Market Index (VEXAX)	8.6	17.5	0.10
Fidelity Spartan Extended Market Index (FSEVX)	8.7	17.5	0.07
Columbia Acorn (ACRNX)	3.4	12.2	0.79
SMALL-CAP			
Vanguard Small-Cap Index (VSMAX)	8.1	17.6	0.09
Vanguard Explorer (VEXRX)	7.4	17.3	0.35
T. Rowe Price Small-Cap Value (PRSVX)	–1.0	12.5	0.96
Vanguard Small-Cap Value Index Fund (VSIAX)	10.2	18.1	0.09
Vanguard Small-Cap Growth Index (VSGAX)	5.6	16.7	0.09
BALANCED			
Vanguard Wellington (VWENX)	10.4	12.1	0.18
American Funds American Balanced (ABALX)	9.8	12.5	0.59
Fidelity Balanced (FBALX)	11.0	12.4	0.56
Oakmark Equity and Income (OAKBX)	7.8	11.0	0.74
Fidelity Puritan Fund (FPURX)	11.1	12.7	0.56
INTERNATIONAL			
Vanguard Total International Stock Index (VGTSX)	1.6	6.4	0.22
Harbor International (HAINX)	0.2	6.2	0.75
American Funds EuroPacific Growth (AEPGX)	4.6	9.5	0.84
Artisan International Fund (ARTIX)	7.1	12.1	1.17
Fidelity Diversified International Fund (FDIVX)	5.7	11.2	0.91
EMERGING MARKETS			
American Funds New World (NEWFX)	0.0	4.9	1.03
Vanguard Emerging Markets Stock Index (VEMAX)	6.9	–0.4	0.15
T. Rowe Price Emerging Markets Stock (PRMSX)	8.0	1.0	1.24
Fidelity Emerging Markets (FEMKX)	6.3	2.9	1.07
Russell Emerging Markets (REMSX)	2.7	–0.4	1.51
U.S. GOVERNMENT BONDS			
Fidelity Government Income (FGOVX)	4.9	2.6	0.45
American Funds U.S. Government Securities (AMUSX)	4.1	1.8	0.64
MFS Government Securities (MFGSX)	4.0	1.8	0.88
Sit U.S. Government Securities (SNGVX)	2.3	0.8	0.80
J.P. Morgan Government Bond (OGGAX)	4.8	2.3	0.76
INVESTMENT-GRADE			
Vanguard Total Bond Market II Index (VTBIX)	5.4	3.1	0.12
Vanguard Total Bond Market Index (VBTLX)	5.4	3.1	0.08
Dodge & Cox Income (DODIX)	4.2	4.1	0.43
Vanguard Short-Term Investment-Grade (VFSUX)	2.0	2.4	0.10
T. Rowe Price New Income (PRCIX)	5.2	3.3	0.61
HIGH YIELD			
American Funds American High-Income Trust (AHITX)	0.3	5.8	0.66
Vanguard High-Yield Corporate (VWEAX)	3.6	6.8	0.13
Fidelity Capital & Income (FAGIX)	6.5	9.1	0.71
Northern High Yield Fixed Income (NHFIX)	0.5	6.6	0.81
Fidelity High Income (SPHIX)	0.9	6.1	0.72
TAX-EXEMPT			
Vanguard Intermediate-Term Tax-Exempt (VWIUX)	5.0	3.7	0.12
Fidelity Municipal Money Market (FTEXX)	0.0	0.0	0.40
Vanguard Limited-Term Tax-Exempt (VMLUX)	1.1	1.4	0.12
Vanguard Tax-Exempt Money Market (VMSXX)	0.0	0.0	0.16
Schwab Municipal Money Fund (SWXXX)	0.0	0.0	0.62

Risk On at Home, Risk Off Abroad

FUND INVESTORS BET ON THE STRONG ECONOMY IN THE U.S. WHILE PLAYING IT SAFER OVERSEAS.

THE PERFORMANCE of portfolios in our recommended list of mutual and exchange-traded funds diverged in the four weeks ended March 18. In the U.S., where unemployment declined, investors took some chances. Funds that bet on economically sensitive stocks (such as **T. Rowe Price Blue Chip Growth**) and small-companies (such as **Wasatch Small Cap Growth**) thrived.

The global economy, though, continued to struggle as evidenced by the decline in oil prices and the euro. This helped the fortunes of big European exporters. And that helped **Oakmark International,** with its big stake in European blue chips. However, foreign portfolios that focused on riskier emerging market equities or small-company shares didn't fare nearly as well. —TAYLOR TEPPER

HOW TO USE OUR RECOMMENDED LIST

Building-block funds: For broad exposure to core asset classes
Custom funds: Specialized investments that can tilt your strategy
One-decision funds: If you want stocks and bonds in one portfolio

FUND (TICKER)	TOTAL RETURN			EXPENSES (AS % OF ASSETS)	PHONE NUMBER (800)
	ONE MONTH	ONE YEAR	THREE YEARS[1]		
BUILDING-BLOCK FUNDS					
Large-Cap					
Schwab S&P 500 Index (SWPPX)	**0.2%**	14.3%	16.7%	0.09	435-4000
Schwab Total Stock Market Index (SWTSX)	**0.5**	13.2	16.9	0.09	435-4000
Midcap/Small-Cap					
iShares Core S&P Mid-Cap (IJH)	**1.4**	11.6	16.8	0.14	474-2737
iShares Core S&P Small Cap (IJR)	**1.5**	6.4	17.3	0.14	474-2737
Foreign					
Fidelity Spartan International (FSIIX)	**0.8**	1.3	8.8	0.20	544-8544
Vanguard Total Intl. Stock (VGTSX)	**0.4**	1.6	6.4	0.22	662-7447
Vanguard FTSE A/W ex-U.S. Small (VFSVX)	**–0.3**	–5.1	6.1	0.40	662-7447
Vanguard Emerging Markets (VEIEX)	**–2.6**	6.8	–0.5	0.33	662-7447
Specialty					
Vanguard REIT Index Investor (VGSIX)	**–0.9**	24.4	14.6	0.24	662-7447

FUND (TICKER)	TOTAL RETURN			EXPENSES (AS % OF ASSETS)	PHONE NUMBER (800)
	ONE MONTH	ONE YEAR	THREE YEARS[1]		
Bond					
Vanguard Total Bond Market (VBMFX)	**0.8%**	5.3%	3.0%	0.20	662-7447
Vanguard Short-Term Bond (VBISX)	**0.4**	1.4	1.3	0.20	662-7447
Vanguard Inflation-Protected (VIPSX)	**0.9**	2.3	0.4	0.20	662-7447
Vanguard Short-Term Infl.-Prot. (VTIP)	**0.0**	–1.5	N.A.	0.10	662-7447
Vanguard Total Intl. Bond Index (VTABX)	**1.1**	8.6	N.A.	0.23	662-7447
CUSTOM FUNDS					
Large-Cap					
Dodge & Cox Stock (DODGX)	**0.2**	9.8	18.7	0.52	621-3979
PowerShares FTSE RAFI U.S. 1000 (PRF)	**–0.2**	12.1	17.1	0.39	843-2639
Sound Shore (SSHFX)	**1.1**	12.6	19.0	0.93	551-1980
Primecap Odyssey Growth (POGRX)	**2.0**	11.3	20.2	0.66	729-2307
T. Rowe Price Blue Chip Growth (TRBCX)	**2.4**	13.6	18.9	0.74	638-5660
Midcap					
Delafield Fund (DEFIX)	**–2.2**	–7.3	7.3	1.22	697-3863
Ariel Appreciation (CAAPX)	**0.1**	12.8	18.9	1.12	292-7435
Weitz Hickory (WEHIX)	**–0.6**	7.3	13.5	1.22	304-9745
T. Rowe Price Div. Mid Cap Gro. (PRDMX)	**1.7**	13.5	17.2	0.91	638-5660
Small-Cap					
Royce Opportunity (RYPNX)	**0.7**	–4.1	14.7	1.17	221-4268
Vanguard Small-Cap Value (VBR)	**1.3**	10.2	18.1	0.09	662-7447
Berwyn (BERWX)	**–1.0**	–5.0	11.0	1.20	992-6757
Wasatch Small Cap Growth (WAAEX)	**4.2**	8.0	14.8	1.21	551-1700
Specialty					
PowerShares Intl. Div. Achievers (PID)	**–2.8**	1.6	7.7	0.54	983-0903
SPDR S&P Dividend (SDY)	**–0.2**	13.2	16.3	0.35	787-2257[2]
Cohen & Steers Realty Shares (CSRSX)	**–0.4**	25.3	14.7	0.97	437-9912
SPDR Dow Jones Intl. Real Estate (RWX)	**–3.3**	7.9	10.0	0.59	787-2257[2]
iShares N. American Nat. Resources (IGE)	**–5.2**	–12.6	–1.4	0.46	474-2737
Foreign					
Dodge & Cox International Stock (DODFX)	**1.2**	5.3	12.2	0.64	621-3979
Oakmark International (OAKIX)	**1.6**	2.6	12.4	0.95	625-6275
Vanguard International Growth (VWIGX)	**1.2**	1.8	8.5	0.47	662-7447
T. Rowe Price Emerging Markets (PRMSX)	**–1.8**	8.0	1.0	1.24	638-5660
Bond					
Dodge & Cox Income (DODIX)	**0.4**	4.2	4.1	0.43	621-3979
Fidelity Total Bond (FTBFX)	**0.7**	5.0	3.9	0.45	544-8544
Vanguard Short-Term Inv. Grade (VFSTX)	**0.4**	1.9	2.3	0.20	662-7447
iShares iBoxx $ Inv. Grade Corp. (LQD)	**0.6**	7.6	5.7	0.15	474-2737
Loomis Sayles Bond (LSBRX)	**–1.1**	0.6	5.7	0.91	633-3330
Fidelity High Income (SPHIX)	**–0.4**	0.9	6.1	0.72	544-8544
Vanguard Intm.-Term Tax-Ex. (VWITX)	**0.2**	5.0	3.6	0.20	662-7447
Vanguard Limited-Term Tax-Ex. (VMLTX)	**–0.2**	1.0	1.3	0.20	662-7447
Templeton Global Bond[3] (TPINX)	**–0.2**	2.4	3.6	0.86	632-2301
Fidelity New Markets Income (FNMIX)	**–2.4**	0.8	2.6	0.86	544-8544
ONE-DECISION FUNDS					
Balanced					
Fidelity Balanced (FBALX)	**1.0**	11.0	12.4	0.56	544-8544
Vanguard Wellington (VWELX)	**0.5**	10.3	12.0	0.26	662-7447
Target Date					
T. Rowe Price Retirement series (STOCK/BOND ALLOCATION)					
Example: 2005 Fund (45%/55%) (TRRFX)	**0.1**	5.1	6.9	0.59	638-5660
Example: 2020 Fund (68%/32%) (TRRBX)	**0.4**	7.0	10.2	0.67	638-5660
Vanguard Target Retirement series					
Example: 2025 Fund (70%/30%) (VTTVX)	**0.6**	8.6	10.6	0.17	662-7447
Example: 2035 Fund (84%/16%) (VTTHX)	**0.5**	9.1	12.1	0.18	662-7447

***NOTES:** As of March 18, 2015. N.A.: Not available. Load funds are included for those who prefer to use a broker. [1]Annualized. [2]Phone numbers are 866. [3]4.25% sales load. **SOURCES:** Lipper, New York, 877-955-4773; the fund companies*

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A Corker of a Souvenir

by George Mannes

ANY VACATION IS A TREAT, but the trip my wife and I took to Italy four years ago felt particularly sweet.

Reason one: Twenty-one years had gone by since our last overseas trip together, our honeymoon in Portugal. The day-to-day concerns of raising kids and keeping house kept pushing a jaunt to Europe far down our to-do list. By the time Margot and I landed in Rome—celebrating our 20th wedding anniversary one year late—all that self-denial had put us in an indulgent mood.

Reason two: What's not to like about 10 days in Italy? We gorged our senses on art, architecture, music, and, oh yes, food. We savored multiple cups of chocolate-chip gelato, then went back for a taste of the hazelnut.

Toward the end of our trip, near when it would go from a vacation to a memory, we hunted for gifts in and around Florence's Central Market. There, in a wine shop where we bought a bottle of limoncello for my parents, I saw for sale my perfect souvenir: a corkscrew.

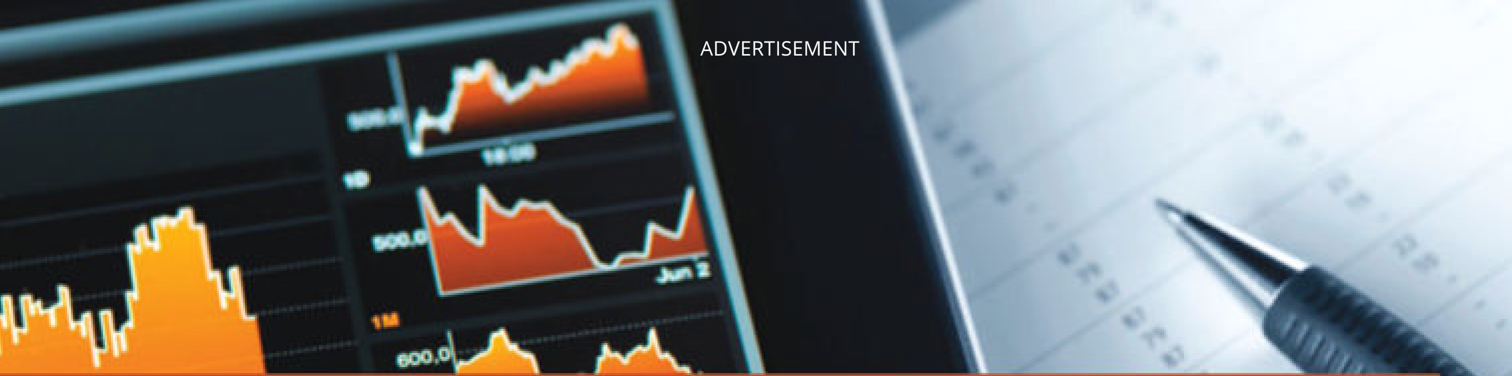
Just a few pieces of metal nesting against a yellow plastic handle, the corkscrew seemed, like so much else in Italy, a product of thoughtful design. It looked aerodynamic and felt substantial. I pulled out a 10-euro note (about $14) and bought it.

Back home, the corkscrew's functioning has lived up to its appealing form. When I open a bottle, the Teflon helix twists smoothly into the stopper. Using the device's "patented double lever mechanism" (I quote the website of Patrick, its Italian manufacturer), I can slide the cork out in two easy motions. This keepsake is a pleasure to use, even before I start drinking.

More important, each time I retrieve the corkscrew from our kitchen drawer, I can revisit our Italian vacation. I look at the store's name and location stamped on the handle—"Enoteca Marconcini Firenze"—and I'm reminded of moments from our trip. I think about the view of the sunset from Florence's Ponte Vecchio and a sculpture exhibit at the Accademia Gallery. I remember a jog through the grounds of the Villa Borghese in Rome and a stroll through St. Peter's Square. I picture a gelato shop near the Torre Argentina. I'm back in Italy. And what's not to like about that?

George Mannes is a senior editor at MONEY. He is currently daydreaming about his next overseas vacation—China, perhaps.

Illustration by GARY MUSGRAVE



Doing your homework on an investment?

Don't overlook this simple step.

It can happen to even the savviest and most experienced investor. You're so busy researching an opportunity that you forget to look into the background of the financial professional offering it.

Checking the credentials and track record of a financial professional—before you invest with them—can help you make smarter choices. Even if you've worked with an advisor before, it's a good practice to check up on them immediately to learn about their training, and job and disciplinary history. Doing this check may even help you avoid fraud.

Remember to check at least once each year to make sure there aren't any new disciplinary actions or other red flags. Pick a date that you'll remember and put reminders on your calendar.

Where can an investor find such information? Recently, the U.S. Commodities Futures Trading Commission launched **SmartCheck.gov**, with free tools that make it easier. The website also offers updates on fraud trends, actions the CFTC is taking against fraudulent advisors, and ways investors can identify and report fraud.

"It can happen to me." Really?

Many savvy investors think fraudsters mostly target novices. In fact, it appears that the typical defrauded investor is quite seasoned. The problem is that fraud schemes are constantly changing and becoming increasingly sophisticated.

Between 2010 and 2014, the CFTC took action on fraudulent schemes affecting more than 37,000 investors, with losses totaling nearly $1.15 billion. The majority of these schemes involved unregistered financial professionals.

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- **Recent Change in Financial or Health Status**

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